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EDITORIAL

## As We See It

Experience is now offering a lesson in the relationship of New Deal economics to the course of depressions which history has often offered in the past. The rather obvious truth, however, seems still to elude all too many who ought to know better. An eminent philosopher of another generation long ago remarked somewhat cynically that we never learn anything from history except that we never learn anything from history. In the matter of economic welfare and the part that the state may play therein, one is tempted to accept the observation of the elder philosopher. The dilemma of the authorities in the face of a real inflation threat on the one hand, and the abnormal needs of the national Treasury on the other, should have been easily foreseen — indeed was foreseen by a good many—but apparently not by those whose policies and programs are responsible for it.

We doubt whether any but the extremist can suppose that the sharp recovery now reported in the general state of business is in any important degree an outcome of promised spending by the Federal Government, a recovery which is apparently well under way long before the complicated mechanism of government spending has been able to get really under way. Yet these commitments will without question proceed as planned. And it may be added that they will not be nearly as large at that as some of the ardent followers of the New Deal would have had them.

The dilemma by which the authorities, particularly the Federal Reserve authorities, are faced in this situation is a real one. The questions and the problems to which it gives rise go to the very root of many of the fallacies so current today

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## Investment of Trust Funds

By ARTHUR L. COBURN, JR.*

Chairman, Trust Investment Committee
Old Colony Trust Co. and The First Nat'l Bank of Boston

**Based upon 30 years of investment experience for individuals and institutions, Mr. Coburn gives his own philosophy, policy and procedure regarding investment of trust funds. He also explains his firm's present investment policy. In listing some of the general truths learned, the Boston banker contends financial reports are an imperfect measure of managerial ability; claims earnings are more important than dividends, and future earnings and dividends are more important than their present performance; and criticizes excessive portfolio-diversification. Imparts advice to bankers on how they can improve their investment analysis.**

Trust investment men are forever being asked, "What are stocks going to do?"

In 1958 we have continually faced a second question, "Why are stocks going up?"

Answers to both questions are simple. Stocks go up because demand for them exceeds supply. As to what they are going to do, it can always be said that they are going to fluctuate irregularly upward or downward.

Arthur L. Coburn

Now, these answers satisfy no one. They are 100% accurate; they are the most honest answers possible; and yet they are unacceptable. Our customers expect more of us. This is what makes the investment of trust funds challenging, tantalizing, and difficult. I approach the subject with humility.

There is more than one way to invest successfully, either in bonds or in stocks. For example, at one extreme it can be truly stated that the poorest bonds that will pay their interest and principal will give the best bond result. They may cause

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*An address by Mr. Coburn before the Vermont-New Hampshire School of Banking, University of New Hampshire, Durham, N. H., Sept. 9, 1958.

## Outlook for Petrochemicals

By HENRY G. McGRATH

The M. W. Kellogg Co., New York City

**An encouraging outlook view about petrochemicals is provided by Mr. McGrath's detailed account of the industry in general and in terms of particular successful petroleum company participation in the petrochemical field. Author places volume of petrochemicals at about 55% of sales value of all chemicals and estimates its capital investment value at $5 billion—representing 55-60% of assets of entire chemical industry. Believes that by 1963 investment will be between $8-10 billion and that it may exceed that for oil refining plants by 20%. Regarding the latter observation, Mr. McGrath notes gradual change in oil refining wherein it now encompasses more and more of a series of chemical processing operations and cites premium gasoline as a clear cut example of this change in refining practice.**

### Introduction

More than 3,000 chemicals are synthesized from petrochemicals that are currently being produced from petroleum and natural gas. At the beginning of World War II the petrochemical industry was considered by many to be nothing but a by-product of petroleum refining. However, certain chemical companies and a few petroleum producing and refining companies were off to a good start on what we recognize today as a tremendous factor in the chemical trade — namely PETROCHEMICALS. During the past decade its growth has been rapid not only in the United States but also in Western Europe, Canada, and Latin America.

H. G. McGrath

In the past two years there have been vague rumblings of over-capacity and possible reduced growth in the chemical industry in the future. It is a well-established fact that the petrochemical segment of the chemical industry has enjoyed a higher growth rate than the industry as a whole. Nevertheless,

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SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 34.

# The Security I Like Best

**A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.**

**(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)**

H. H. "PETE" HUNTER
Vice-President, George K. Baum & Co.
Kansas City, Mo.
Member: Midwest Stock Exchange

### Pickering Lumber Corporation

Not only is Pickering Lumber Corp. common stock the security I like best, but it is also the security I think has the best prospects for increased earnings and dividends and a higher price.


H. H. "Pete" Hunter

Pickering's primary asset is **ownership** of over 700 million board feet of virgin timber, including one of the largest stands of valuable sugar pine in the world, plus extensive uncruised virgin and secondary growth stumpage estimated at over 200 million board feet. This asset is not only growing in quantity, but also in value due to the limited supply and inflationary factors which are continually enhancing the value of natural resources such as timber.

The lumber mill completely rebuilt since 1945 at Standard, Calif., is completely powered by electricity and equipped with machinery of the latest design, permitting greater productive capacity at reduced cost. "Pickering" follows the policy of utilizing as much government timber as possible so that its own stands may be maintained as a reserve.

Financially, "Pickering" is ultra conservative. Capitalization is made up of only one class of common stock, there being no bank or funded debt or preferred stock outstanding. The timber is carried on the books at less than $5 per thousand board feet whereas current sales are being made at $35 per thousand and more. Inventory is carried on a last-in-first-out basis which is considerably below the market value. Working capital is very strong amounting to approximately $3½ million at the fiscal year ended March 31, 1958, when the ratio of current assets to current liabilities was 5.78 to 1 after having just paid out $2.9 million cash for the acquisition of West Side Lumber Co. Annual depreciation and depletion charges have been exceeding $1 million, further augmenting cash working capital.

Taxwise, the difference between book value of its standing timber and market value of timber when cut is subject only to a 25% capital gain. This provision lowers the effective tax rate on overall operation to between 30% and 45%, thus providing somewhat larger earnings after taxes.

An added kicker to the value of "Pickering" is the mineral rights on a total of over 123,000 acres of land in Texas and Louisiana carried at a book value of only $71.42. While income from oil and gas is a minor factor at this time, exploration of these properties are being pursued vigorously. The wells drilled upon the company's properties are drilled by its lessees under oil and gas leases without cost to the company, except for expenses in connection with promoting and leasing the properties.

Management includes among its board of directors, James M. Kemper, Henry N. Ess, and Frederick H. Dierks, all three leading authorities in their fields. Mr. Kemper is Chairman of the Board of the Commerce Trust Company, Kansas City's largest bank. Mr. Ess is senior partner of the law firm of Watson, Ess, Marshall & Enggas. Mr. Dierks is President of Dierks Forest, Inc.

**Recent Acquisition**

The very timely cash purchase on March 31, 1958 of the adjoining West Side Lumber Company with a mill located only six miles from "Pickering's" mill should greatly enhance the earnings of "Pickering" as its latent values develop. Since this acquisition will also eliminate the Federal tax liability of $594,000 on the profit arising from the sale of the South Grove of giant Sequoias to the State of California in 1954, in effect this reduces the cost of "West Side" by this amount. In view of the increase in demand and price since acquisition, the inventory of 28 million board feet of lumber acquired from "West Side," together with the tax funds just mentioned, should return the entire purchase cost to "Pickering" within a short time. In addition, "Pickering" acquired ownership of 71 million board feet of virgin timber, a two-band sawmill capable of producing 40 million feet of lumber annually, 16,000 acres of cut over land capable of producing a continuous growth of pulpwood and saw timber and, more importantly, gave "Pickering" access to additional tracts of U. S. Forest Service timber. Integration of the two plants should further increase efficiency and enable management to develop a better sales program for the combined properties.

For the fiscal years ended March 31, recent earnings per share were $1.02 in 1956, 51 cents in 1957 and 20 cents in 1958. Dividends paid were $1 in 1956, 90 cents in 1957 and 45 cents in 1958. With renewed vigor in the building industry, with both mills operating maximum, and with larger shipments and higher earnings in the offing, it is only a matter of time until the dividend should be increased, inasmuch as the company pays out in dividends practically all of its earnings. This stock, traded in the Over-the-Counter Market, is currently selling around 10½.

KENNETH E. MANGUM
Harbison & Henderson,
Los Angeles, Calif.

### Correction on Cohu Electronics, Inc.

We should like to call attention to an error in phraseology which was made in Mr. Mangum's article on the above-mentioned company in our issue of Sept. 11. In discussing (page 14 of that issue) Cohu's Millivac Division, the last sentence in the paragraph should have read: "These are all precise indicating instruments of high accuracy."

**This Week's Forum Participants and Their Selections**



DON S. PETERS
Sales Manager, War O. Brooks & Co.,
Witchita, Kansas

### Vulcan Materials Co.

A most interesting situation in an industry largely overlooked by the investing public is Vulcan Materials Company, the security I like best. The aggregate and construction materials industry has historically been neglected by investment circles primarily because of the lack of a suitable investment medium. Up until recently the few publicity held corporations were largely local in character, therefore, subject to the hazards inherent in that type of an investment. Over the years then, a tremendous growth industry equal to, and even surpassing many of the popular so called growth industries has been dominated largely by thousands of family-owned companies, making it impossible for the public to participate in the growth.


Don S. Peters

Vulcan Materials Company, as it is comprised today, represents the merger and acquisition of some nine separate companies which now operate through five divisions and 19 subsidiaries from the Gulf of Mexico to the Great Lakes. The following will give you an idea of the scope of their operations from a product and location standpoint, based on 1957 sales and year-end facilities.

**Aggregates**, 31.3% — Plants in: Alabama, 12; Georgia, 5; Illinois, 7; Indiana, 1; Kentucky, 1; Tennessee, 16; Wisconsin, 7; Virginia, 2; and 7 portable.

**Concrete Products**, 21.0% — Plants in: Alabama, 9; Florida, 5; Georgia, 3; Illinois, 13; Tennessee, 2; Wisconsin, 3.

**Construction Materials**, 5.5% — Plants in: Alabama, 3; Florida, 1; Georgia, 3; Illinois, 4; Wisconsin, one.

**Surfacing Materials**, 3.1% — Plants in: Alabama, 3; Tennessee, 3; and 2 portable.

The above represents 60.9% of sales with the remaining 39.1% derived from metallics — 17.8%; chemicals—13.5%; and services and purchased products—7.8%.

Of note is the fact that the metallics and chemical divisions contribute the major portion of the company's earnings during the winter quarter when construction activities are at their lowest point. The metallics division has production facilities in Alabama, Indiana, New Jersey and Pennsylvania. The principal product being blocked ore, steel scrap, iron recovery, tin recovery, and ultrapure tin. The chemical division is primarily the production facilities of Frontier Chemical, Wichita, Kan., and Denver City, Texas, with other facilities in Alabama, New Jersey and New Mexico. Chlormethanes, Chlorine, caustic soda, and muriatic acid constitute the divisions major products.

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# Insurance Stocks Now For Defense and Growth

By SHELBY CULLOM DAVIS*
Managing Partner of Shelby Cullom Davis & Co., New York City

**Specialist in insurance stocks explains why fire and casualty equities now are more attractive than at any time in the past decade, possess secure income and inevitable growth, and are now in the early stages of a new bull market. Mr. Davis presents a list of stocks which he favors for growth, yield and combination of the two, and opines that inflation, said to be the root cause of past underwriting difficulties, will be kept abreast of in future rate making. He observes that present yields range from about 4% to 5½% on good grade stocks compared to 3.8% for Standard & Poor's Composite Index and, in view of disastrous underwriting experience of past four years, that "unprofitable underwriting periods have always been followed by excessively profitable ones."**

These are bewildering times—from Beirut and Quemoy to the Federal Reserve Board. Last fall we witnessed a devastating 100 point decline in common stocks and this summer a "crazy" 90 point advance. Bond markets could go no where but up earlier this year and no where but down recently. This summer I "got away from it all" briefly and passed a few days in a land of nod—what was once Siam, now Thailand. I saw the Palace where the King lived and where Anna was I—in "The King and I." And I thought of that wonderful song in which the King is amazed at Western ways, shakes his head sadly and decides "its a puzzlement."


Shelby Cullom Davis

These are bewildering times of puzzlement, times to cut through the maze of truths and half truths and to seek the perspective of fundamentals.

Why do we invest in common stocks? Not only for income—because that can be achieved more safely in bonds. But for income plus growth, which can never be achieved in ordinary bonds. And growth is desirable, not just for growth of capital's sake, but to enable income to keep pace with the rising tide of inflation. Therefore common stocks which promise secure income plus growth should merit the serious attention of professional investors, today in these times of puzzlement more than ever.

### Present Attractiveness Explained

Fire and casualty insurance stocks, I submit, fall squarely into this category of secure income plus growth. Furthermore, they are more attractive than at any time in the past decade.

Why?

(1) The income from insurance stocks is very secure, more so in fact than for many bonds. Insurance companies pay their dividends out of investment income alone which in turn is derived from their bond, preferred and common stock holdings. Most insurance company dividends are covered from 150% to 200% by investment income alone. Many insurance companies can pay their dividends out of the interest received from their bond holdings alone. In the whole field of common stocks I do not think one can find safer dividends, with longer records, than those paid by insurance companies.

(2) Insurance companies have an inevitable financial growth which is translated into constantly higher dividends to stockholders. The growth is inevitable because of "operation plow-back"—by which between one-third and one-half of investment income, plus all underwriting profits, is plowed back into surplus to compound for the stockholder. There is an annual rise in investment income of between 5% and 10% or, conservatively, between 30%-50% over a five years' span. And just as trade was said to follow the flag, so rising dividends to stockholders inevitably and eventually always accompany rising investment income.

The pay-off in insurance stocks, in other words, is that the stockholder does get paid!

Not only are insurance company dividends very safe and growing but they are also attractive now. Yields range from 4% to 5½% on good grade fire and casualty stocks. These compare with 3.8% for the latest Standard & Poor's Composite index of industrial, railroad and utility shares and 3.8% also for high grade corporate bonds. The yield spread favors insurance stocks more than at any time in the past decade.

### Near and Intermediate Prospects

Insurance stocks can therefore be purchased now for income and growth. They are proven, excellent long term holdings. For the near and intermediate term they can also be purchased now for defense and growth. Let us examine the reasons why.

(1) In a stock market whose rise since last Oct. 22 has made many stocks increasingly vulnerable, insurance stocks occupy a

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*An address by Mr. Davis before the Maine Savings Banks Association, Dixville Notch, New Hampshire Sept. 5, 1958.



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### *Articles and News*



**Canadian Long-Term Cash Dividend Payers**
*NEXT WEEK'S issue of the "Chronicle" will include a study containing the extended list of Canadian banks and corporations which have paid consecutive cash dividends on common stock for periods ranging up to 130 years.*



### *Regular Features*



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# Observations . . .

By A. WILFRED MAY

## FROM THE DIARY OF AN ITINERANT OBSERVER

**PRINCETON, N. J.** — In the spirit of its lovely secluded college surroundings here, have been this year's proceedings of the Mont Pelerin Society. This is a group of highly distinguished economists, educators, government leaders and journalists from Europe, the Far East, South Africa, and both Americas, quite uniquely trying to regenerate the ideas of classical liberalism to combat the growing world-wide desertion of free political systems and private enterprise. While preponderance of the week's theoretical discussion centering on Inflation, the Welfare State, Labor Unions and Agricultural Policy, was important and fruitful, an hour-long impromptu question-and-answer session with a leading industrialist provided a particularly unusual and interesting contribution. For the business leader, Crawford H. Greenewalt, President of E. I. du Pont de Nemours & Co., became occupied with the key problem as to the reason for the alleged deficiencies in the "selling" to the public of the advantages of the free market — a perennial but still unsolved question. Not only was the continuing low state of "public relations" of "business" dwelt on. At the same time the affirmative destructive actions of some businessmen, as through associations and foundations, in promulgating policies, including those with inflationary implications, which actually undermine free enterprise, were pointed out.

A. Wilfred May

Related to the factor of indifference on the part of business leaders, which is regarded as an important contribution to this state, is their unwillingness to engage in politics, as well as growing abstention from government service, which are points also recently discussed in a prominent way by President Cordiner of the General Electric Company. A study recently completed under the direction of Dr. W. L. White of the Small Business Administration concluded that there is "a frightening lack of interest" by the business community regarding participation in government service; and that the periods of service are shortening, functioning merely as a sort of "career detour."

The distinct conclusion voiced at Princeton was that the business executive must increase and improve his efforts in the community to advance the free market system; while personally accepting obligations to participate in our "nasty" political processes, along with rendering government service when it is constructively required. In any event, we must be continually impressed how the task of justifying the free-market system persists, demanding joint accomplishment by academician as well as businessman.

* * *

**WASHINGTON, D. C.**—Are the mutual funds getting too big? Are the wrong people buying them now; and in any event, who is? What is the impact on today's stock market of the current fund boom?

These and related questions are now getting a top-level exploration in a full-scale study begun last June by the Wharton School of the University of Pennsylvania under the auspices of the SEC, the mission having been contracted out to it by the Commission on "competitive bid" routine or a $35,000 fee.

Bringing in some light on the size problem, this investigation will take the SEC off-the-hook on this phase, where it was placed by the Investment Companies Act of 1940 and subsequent Congressional concern as occasioned by the now 'lowly" $150 million-asset entities of the Nineteen Thirties.

The preliminary conclusions, expected to come forth in about six months, will likely lead the Commission to initiate some major legislation in this area, possibly including a ceiling on the size of a fund entity. In any event, important light will be shed on the market "cause-and-effect" of this current financial phenomenon.

### Proposed Tax Change Implications

At a meeting held here in Washington to plan a legislative movement to halve the capital gains tax, some doubt was expressed about the likely attitude thereto, of the funds along with other market participants, owing to the questionable effect on market prices likely to ensue from such tax cut. Would the resultant unfreezing of stocks on which large capital appreciation has accrued bring on a holocaust of liquidation, or would the market generally rise because of a lightening of the burden on speculative profit-making?

The conclusion pervading a full-dress discussion of the question, which this observer shares, leaned toward anticipating a *reshuffling* of the market's price structure; in the form of concurrent deflation of the Blue Chip and related profit-laden areas, with offsetting buying of the value-criteria issues. In any event, the tax reduction largely removing an external and uneconomic element of distortion of the market's values, will measurably restore its true investment functioning.

* * *

**THE UNITED NATIONS, N. Y.**—In addition to the several manifestations of political crisis which will get the public's attention during this new General Assembly session, some important items in the economic area will emerge—outside of the highly problematical chance of reaction to President Eisenhower's Economic Plan for the Middle East advanced at the recent Emergency General Assembly session.

Here, spilling over from other spheres, will be additional international spending projects. The general debate will take up a specific and detailed consideration of a separate Special Fund, a new organ to be created by the General Assembly, on the recommendation of the Preparatory Committee of the Economic and Social Council. This would increase the Technical Assistance Program for the less developed countries. Its operations would be directed to enlarging the scope of the UN programs of assistance to include special projects in certain basic fields, as intensive surveys of water, mineral and potential power resources, the establishment—including staffing and equipping—of training institutes in public administration, statistics and technology, and of agricultural and industrial research and productivity centers.

It is planned to place jointly up to $50 million into this Special Fund; while at the same time raising the existing Technical Assistance Program to $50 million annually from its present $32 million —with the United States committing itself to a total of $40 million maximum a basis of 40% matching-with-other countries.

While the exact amount to be devoted to the Fund is not yet definite, the goal for the new entire Technical Assistance Program is now $100 million but is expected to fall far short of that objective. Last year the record total on Technical Assistance Projects was $31 million. The United States has promised to subscribe, subject to Congressional approval, $38 million (last year the matching was on a 45-55% basis.

The other important phase of the session's discussions in the economics area will be full-dress consideration of the various pressing problems connected with world trade.



## Louisville Sinking Fund Commissioners Elected

At the regular meeting of the Commissioners of the Sinking Fund held Sept. 10, 1958, Thomas Graham, The Bankers Bond Co.,

Thomas Graham Lee P. Miller

Inc., was reelected President for the tenth consecutive year. Merle E. Robertson and Lee P. Miller, Citizens Fidelity Bank & Trust Co., were reelected Vice-Presidents.

The Commissioners are especially honored this year upon the reelection of Mr. Miller as Vice-President as he will become President of the American Bankers Association when it convenes in Chicago Sept. 20 to 24 this year.

The Honorable Bruce Hoblitzell, Mayor of the City of Louisville, will present a scroll to Mr. Miller from the city and the Commissioners of the Sinking Fund, on Oct. 4.

# The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Commenting upon business conditions, the Federal Reserve Board, in its latest summary, struck an optimistic note by stating that rapid recovery in economic activity continued in August.

Elaborating further, it reported that industrial production and construction activity, non-farm employment and consumer buying advanced further during the month. Turning to the price structure, the board commented by saying, from early August to early September prices of industrial commodities generally changed little.

Increases in activity since early Spring, it declared, have been widespread and have included advances in industries producing capital equipment. This rise, it stated, is in contrast to continued declines after the total index had reached its low in the two earlier post-war recessions.

Industrial production in August regained more than half the ground lost during the recession, the Federal Reserve Board indicated and the August seasonally-adjusted index was at 137% of the 1947-49 average—three points above the revised 134% level for July. The board also revised its June index upward by one point—the same as the July revision—to 132%.

The August figure compared with the 1957 high of 145%, where it stood in August of last year and the 126% recession low in April, 1958.

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The number of workers drawing unemployment compensation in the week ended August 30 dropped to the lowest level since the week ended December 28, the United States Department of Labor reported. The weekly decline was the seventh in a row.

A total of 2,085,900 workers received the compensation payments in the August 30 week, a decline of 96,400 from the week before. The rate was 5% of those eligible for such payments, compared with 5.2% the previous week and 2.7% a year earlier.

The number of initial claims for unemployment compensation also dropped in the week ended September 6, the department noted. The decline was 12,200 from the week before to a total of 262,900. This compared with an increase of 26,300, to a total of 217,000, in the like week of 1957.

Only six states failed to share in the decline in insured unemployment, the report added. It said a number of states reported improvements in seasonal industries and others noted recalls of auto workers.

Unemployment declined by 600,000 to 4,700,000 in mid-August, the Government reported, but the drop was not as large as is considered normal at this season.

The less-than-usual decline in the number of jobless boosted the seasonally-adjusted rate of unemployment for mid-August to 7.6% of the labor force, the highest point since the beginning of the recession last summer, from 7.3% in mid-July. This was the second straight monthly increase in the rate, placing it well above the 4.3% for mid-August 1957.

Officials, however, regarded the decline as "pretty good" and contended the rise in the adjusted rate of joblessness did not signify major job developments. They said figuring the adjusted rate of unemployment is made more difficult and hence less accurate not only by the high level of unemployment but by the large number of students moving in and out of the labor market.

Despite the climb in the adjusted rate of unemployment, Government officials took a generally optimistic view of the job situation in light of these other factors.

The actual number of unemployed in mid-August was down for the second straight month and was substantially under the 5,000,000 mark for the first time since mid-January, when it was 4,500,000. In mid-April, unemployment fell to 4,900,000 but rose the next month to 5,400,000.

While total employment went up by nearly 200,000, to a seasonal high of 65,400,000 in mid-August, manufacturing employment continued the improvement evident since mid-June by rising 300,000 to a 15,500,000 total. There were better-than-seasonal increases in jobs in some of the recession-hit durable goods industries.

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An automotive strike would not necessarily knock the props from under the strengthening steel market, states "The Iron Age" national metalworking weekly, this week.

It reiterated the current week that steel market strength is coming from a broad cross-section of industry, with the auto firms contributing only partly to the upturn. Of course, a peaceful

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# Chemical Investment Elements

By DR. IRA U. COBLEIGH
*Enterprise Economist*

**Jotting down a few notes about some chemical shares worth a second look even at current altitudinous market prices.**

Increasingly, among investors willing to view distant horizons for their capital gains, chemical shares have moved into the spotlight of popularity. Whereas a dozen years ago, the general run of small or medium sized stock buyers would insist on a current return of 5% or better before even considering an equity, today the same individuals will eagerly place chemical shares on their shopping list even though the immediate visible return is only 2½% to 4%. Why is this? Why should this traditional quest for current yield now be sublimated when chemical stocks are considered?

Ira U. Cobleigh

The answer is in a single overworked word—growth. The chemical industry is growing at the rate of about 9% a year against some 3% for industry as a whole; and, for a number of companies, the rise in net profits over the past decade has been at an even faster rate. So it is that the more informed stock buyers now say they prefer chemicals, with their dividend increases, stock dividends and profitable retention and plow-back of net, to other issues with better immediate yield but thinner profit margins and a more limited growth potential.

And now, having assured our readership that chemicals yield less, let us look at some that may earn more, as time goes on.

It would surely be no mistake to start off with Union Carbide, the second largest American chemical company, and number one in plastics. It is a big, but by no means, a tired company, as evidenced by the fact that its sales have more than tripled since World War II. It is also diverse, deriving about 30% of sales from chemicals, 25% from alloys and metals, 14% from industrial gases and carbide, and 11% from electrodes, carbons, and batteries.

Leadership in plastics for Union Carbide stems from its large scale production of the vital ingredients —resins including vinyl, phenolic, styrene and polyethylene. The Bakelite Company division turns out these resins in many forms: powders, liquids, films or sheeting. Sold to processors and industrial users, these resins find their way into a myriad of products—telephones, radio cabinets, raincoats, squeezable bottles, curtains, luggage, insulation, table ware, bottle caps, tiling, paneling and roofing.

The Linde Company division turns out oxygen with many industrial uses; National Carbon manufactures the well known Eveready storage battery, and Prestone anti-freeze; while the Electro Metallurgical Company produces 100 odd alloys, mainly for the steel industry but with vital applications in blades, vanes and cones for missiles.

Union Carbide also has a major status in atomic energy. It has over 100 uranium mines in Colorado, and operates uranium separation plants for the Atomic Energy Commission at Oak Ridge, Tenn., and Paducah, Ky.

Union Carbide has felt the recession, and 1958 per share net may slip to below $4 against $4.45 for last year. This, however, does not place the $3.60 dividend in any jeopardy because (1) the cash position is golden with above $400 million in working capital and (2) rapid amortization hides the true earning power; (3) $160 million in 1958 capital expenditures sets the stage for large future earning power. So we say there's nothing very wrong about Union Carbide, even at 111. It sold at 133 in 1956 when it had less to offer.

Another company essaying very high in stockholder contentment over the years is American Cyanamid. For ACY, 1958 will be a year of assimilation and adjustment, with some decline (4-5%) from peak net sales of $532½ million in 1957; and some reduction (perhaps to $2.05) of per share net which in 1957 was $2.42. The $1.60 dividend, however seems secure and yields 3.25%, even at 52.

If 1958 is a "tread water" year for ACY, few past years have been so and the future is bright. For example, ACY staked $52 million on an acrylonitrile plant at Fortier, La. in 1954. The plant lagged in profitability and never got out of the red 'til mid-1957. Now, however, it projects a major long term up curve in earnings, and $30 million was allocated to double its capacity.

Lederle Laboratories, the ethical drug division, has been moving ahead steadily, accounting for over 28% of gross and an even higher percentage of net.

The Formica Company acquired by ACY in 1956 has rounded out the company line, and more than justified the 1,047,384 shares of ACY offered in exchange.

ACY has moved its cash dividend ahead from $1 to $1.60 in the past seven years and, in the same period has declared two 100% stock dividends. Stock prices may be high, and ACY may be high, but neither of those assumptions is likely to part the long-time ACY shareholder from his certificates. He's had it too good and he thinks his company has top management. It has.

Abbott Laboratories common has been a most faithful equity having paid dividends, without hiatus, for 32 years and it looks quite sturdy in the markets of today at 60 paying $1.80 (plus an extra). If it is not as flamboyant as some of the pharmaceuticals, it is more diverse and quite as dependable. Its product line includes over 600 items, mostly ethical drugs — vitamins, anti-infectives, anesthetics and hyponotics. (Vitamins in packages account for over 25% of sales.) The best known proprietary line is Sucaryl, non-fattening sweetener.

The main criticism of Abbott (if it is such) is that it has not come forward with any new major wonder drug in the post war era, as many pharmaceuticals have. Against that charge stands the basic fact that Abbott spent almost $5 million on research last year, and in 1957 introduced Tral for peptic ulcers; Harmonyl, a tranquilizer; Peganone for epilepsy; and Spontin, a new anti-biotic. These specialties have broadened the Abbott line and expanded earnings; and continued annual outlays of between 4% and 5% of net sales for research suggest that Abbott is not languishing in the laboratory.

First quarter results this year were excellent—a rise in sales of 12.6%, and in net of 14.5% (from $1.01 per share in 1957 to $1.16 in 1958). Abbott common is selling at about 16 times earnings, a modest ratio for so fine a stock; and there's a 4% preferred convertible into common at $58.82 selling at 110.

Spencer Chemical is a different sort of company from the ones just outlined. It is a petrochemical specialist, turning out anhydrous ammonia and related products, and polyethylene. About 53% of production is in agricultural chemicals, 28% in plastic elements, and 19% in industrial chemicals.

Profitwise, Spencer Chemical has been handicapped this year by oversupply in ammonia and, to a lesser extent, in polyethylene. So while sales have held up, earnings for fiscal 1958 (year ends 6-30) were below the $4.05 per share reported in 1957. The indicated dividend of $2.40 should surely be maintained and the common, on that basis, yields just 4% at 60. The stock is favored for its long term potential and is well below its market high of 77¼ recorded in 1955.

Other chemical shares of interest would include Olin-Mathieson, a rather high yielder which has grown in stature by a number of interesting mergers, and National Distillers and Chemical which is becoming more a chemical and less a distiller as time goes by.

Every article on chemicals is incomplete. The industry is just too broad and complex to be covered in anything short of an opus at least as long as "Gone With the Wind." But there are very few sophisticated investors today who are not owners, or considering ownership, of representative chemical shares — including some we have touched upon. Against the argument that selected chemical shares are desirable long term holdings, no one has a good retort!

## Leon H. Sullivan Forms Own Invest. Co.

PHILADELPHIA, Pa.—Leon H. Sullivan has formed Leon H. Sullivan, Inc., with offices at Three Penn Center Plaza to engage in a securities business. Mr. Sullivan was formerly an officer of Arthur L. Wright & Co., Inc.

## Wm. G. Masters With Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, Fla. — William G. Masters has become associated with Goodbody & Co., 127 North Main Street. Mr. Masters for many years was vice president of Putnam Fund Distributors, Inc.

## Frank Blount Opens

(Special to THE FINANCIAL CHRONICLE)

HOLLYWOOD, Calif. — Frank Blount is conducting a securities business from offices at 6253 Hollywood Boulevard.

# The Business Outlook

By TOM M. PLANK*
Assistant Cashier, Business and Economic Research Dep't
The First National Bank of Chicago

**Mr. Plank's review of the strong and weak points in our economy concludes that business in the coming months should continue the improvement that became evident last May—at a mild and gentle pace rather than a rapid upturn of the 1955-56 variety. The Chicago bank economist describes the three main expenditure segments of our economy and delves into five areas of uncertainty presently affecting our economic system. Terms inflation the foremost problem facing us and calls upon business, labor and government to share the responsibility in preserving our faith in the integrity of money.**

### I. Introduction

The importance of analyzing the cyclical implications of current business developments is readily recognized. Analysis of month-to-month and year-to-year changes in economic, political and social conditions are needed to enable management to appraise the business future and adjust their policies accordingly. In view of the constant changes to which business activity is subject, business management is faced with unusual hazards and dificult problems. Budgets of purchases, production, employment, inventory, and expenditures must be made to project the operations of a business into the future. Expansion plans must logically be made for months, or even for years in the future.

Tom M. Plank

The more complete our knowledge and understanding of cyclical factors that prevail, the greater the probability that we will make wise decisions. The evidence on which business forecasts are based is found in cyclical (short-term) and secular (long-term) trends in the development of economic forces. Under the increasing complexities of modern economic life, the business manager must understand the nature of these forces because today he must see farther ahead into the future than ever before. What I am trying to say is that American businessmen have broad new considerations to weigh in making decisions that depend on an understanding of the state of the American economy, the financial health of foreign countries, the money and credit markets, and finally, the new opportunities for business that will open up as the result of a rapidly expanding population.

This is a formidable task, but one which cannot be avoided in the exercise of our managerial responsibilities.

### II. Gross National Production

Generally, whenever we hear a business conditions discussion, much reliance is placed upon such economic terms as gross national product, gross private domestic investment, inventory disinvestment, "our complex, inter-related economy," and the like. As a result, after a few minutes, we become somewhat confused.

Now my purpose here, as I see it, is to be as clear as possible, and the fact is that our economy —how it works—is not hard to understand. In fact, there are only three main parts to our business system—consumer expenditures, government expenditures, and business expenditures.

Over the years consumer expenditures, the goods and services that all of us buy, have accounted on the average for 65% of the nation's total production of goods and services. Government expenditures, which include not only total Federal Government, but also state and local government expenditures on schools, roads, bridges, and often overlooked services such as police and fire protection, on the average have accounted for 20% of the nation's total production of goods and services. Business expenditures, then, would be the third main part of our economic structure. They have averaged 15% of the nation's total spending, or consumption.

Last year these three main segments of our economy in the aggregate spent $440 billion on goods and services. If we spent $440 billion on goods and services, then the nation's total production of these same goods and services must have amounted to $440 billion. Indeed, it did, and we call this the nation's gross national product; that is, gross national product is defined simply as the dollar volume in current prices of the nation's total output of goods and services.

From the foregoing it can be seen that if we have some idea what is going on in these three main expenditure segments of our economy—consumer, government and business—then we will have a pretty good picture of just what the current business situation is. Likewise, if we can make an intelligent guess as to the future trend of consumer, government and business expenditures, we will also have a fairly clear idea of the probable level of business during the coming months. Let's then take a brief look at each of these three main areas in our economy and see if we can come up with some idea as to just where we are going.

(1) **Consumer Expenditures:**

*Continued on page 27*

*An address by Mr. Plank before the 15th Tennessee Bankers Association Annual Conference, Knoxville, Tenn., Sept. 8, 1958.

# The Businessman and National Security

By JOHN L. BURNS*
President, Radio Corporation of America

**Bold new approaches by Business and Government to maximize our effectiveness in the Cold War are proposed by RCA's new President who does not minimize the haunting specter of Communism over Europe and the rest of the world. Mr. Burns suggests we establish a fourth branch of Government that might be called the Permanent Council on Plans and Policies which would have the continuity and permanence existing planning groups lack, and direct short- and long-range planning in all branches of government—transcending beyond problems of the Cold War. He suggests, further, measures so that the defense effort can take a "full advantage of the superb strength inherent in our free enterprise system" which would provide industry with an incentive and would also save the Government money.**

## I
## The Threat

Like it or not, we must face up more realistically to the fact that today we are in a Cold War with Russia. At this point, no one can say how long we can expect it to stay cold.

John L. Burns

Among our best informed military and civilian authorities, there are two principal schools of thought on the paramount threat to our national security.

One school holds that the danger is immediate. The argument is made that the Russians will mount a sneak attack as soon as they are confident they have the capability to knock out our key cities and destroy our retaliatory power. The claim is heard that the Soviets have some 500 submarines as compared with our 100, and that they are building underseas craft at a rate ten times as fast as we are. Some experts put the critical period between the fall of 1959 and 1963. During this fateful interval, they say, our own capabilities in missiles, aircraft Army and Navy forces will lag so far behind those of the Russians as to place us in grave peril.

A second school of thought contends that the greatest threat to our security lies not in the immediate situation but in the long-range challenge. The argument is made that the Russians will continue, for an extended period, to apply moral, political, economic, military and social pressures short of all-out war. It is pointed out that economic warfare is cheaper, subtler and more penetrating for the Russians, and their success to date has been such that they have been able to use their military power sparingly. This economic approach is one that is difficult to get people excited about. The feeling is that the Russians will keep on waging a ruthless Cold War, probing for soft spots in the Free World's defenses, in the hope of eventually accomplishing their aims without having to resort to a Hot War. President Eisenhower has said that we may be in for as much as forty years of Cold War.

You and I certainly are not in a position to judge the merits of these two arguments. But we do know that we can't gamble with national survival—even when the odds might be only a thousand to one!

Therefore, common sense dictates that our country must take all reasonable precautions against *both* the short-range and the long-range threats.

We must be ever mindful of the Total Threat — moral, political, economic, military and social.

I shall not attempt to cover the entire field, but shall confine my remarks to the role of business in this situation.

The challenge to the business community is clear: The security of our country is at stake, so business must live according to a revised set of rules.

(1) It must have the courage to speak up—to take a constructive position on controversial issues.

(2) It must do the job the best way it can until the Government makes the necessary changes.

(3) It must look seriously and candidly at its own situation, and keep its stockholders and other interested parties informed of our country's needs. Likewise, it should listen attentively to criticism and be prepared to act promptly.

In peacetime, we have permitted our free-enterprise system full play. In wartime, we have become a modified dictatorship, mobilizing our manpower and industrial capacity for an all-out effort.

Now it is up to the Government to tell us whether we have a national emergency, and, if so, to spell out the specific requirements.

Against this background, let's look at some of the major factors that should be taken into consideration in planning for the future. I believe there is an overriding need for changes in our nation's defense posture—both short-range and long-range. To meet this need will require bold new approaches in many areas, especially on the part of Business and Government as Partners in Preparedness. And I address all of my comments to the system and not to the personalities involved.

*An address by Mr. Burns before the 50th Anniversary Conference of Harvard Business School Association, Boston, Mass., Sept. 6, 1958.

## II
## Need for Change in Nation's Posture: Short-Range

In facing up to the short-range threat, the Government and particularly the Defense Department must stimulate and encourage our free-enterprise system. They must supply the needed incentives to keep this system healthy and strong, for our national security and our way of life depend on it. Government work must be made as attractive to industry as other forms of business activity.

The competition between ourselves and the Russians is a new kind of competition with a new society. It is a classic test of the free-enterprise system versus Marxian socialism. Our task is to put the creativity and productivity of American industry to work as effectively for the military as we have for the consumer.

We are turning out about ten times as many household appliances as the Russians, and fifty times as many passenger cars—all of unsurpassed quality.

The total value of the goods and services produced in this country in a year is $429 billion—between two and three times as much as in Russia.

In our defense effort, we have not taken full advantage of the superb strengths inherent in our free-enterprise system. We have tried to operate with insufficient incentives and with highly centralized governmental control.

In short, we have tried to whip the Russians with one hand tied behind our back.

If there is to be a free-enterprise approach to our defense requirements, the Government in its dealings with business obviously must be guided by the factors that make the system work. These factors include incentive, teamwork, decisiveness, initiative, and planning.

When I talk about incentive in connection with the defense effort, I do not want to be misunderstood. I want to make it clear I am not suggesting that we exploit the threat to our national security in order to increase industry's earnings. What I am proposing is something that would be an incentive to industry and would also save the Government money. And above all, it would help strengthen our chances for survival.

In our present system, the basic weakness in the lack of incentives is not so much that many people in many companies are not working in defense. There are many talented people working, and, of course, with proper incentives there could be more. But the real losses to us are these:

(1) Some of the most effective people in our country are not working on defense, or are giving only a portion of their time and thought to it.

(2) The profit incentive is insufficient to enable companies to devote a major effort toward research and development work originated by the company itself. Therefore, the full potentialities of free-enterprise in this field of creativity are not realized.

Under the present system, there is a depreciation in incentive even below the level provided by law.

There are two major laws that regulate defense work now. One is the Armed Services Procurement Act of 1947 which authorizes the services to pay contractors their costs, plus a fee up to 15% of their costs, as profit, on research and development contracts. The second law is the Renegotiation Act of 1951 which authorizes the Government to take a second look at a company's defense business, after one year, to see if the profit has been excessive.

The 15% fee, stipulated in the Procurement Act, has been cut back to 10% by the individual services unless the Secretary of the Army, Navy, or Air Force makes an exception — and this does not happen very often. In practice, moreover, military contracting officers seldom agree even to 10%. It is difficult to negotiate a fee of more than 7%. Even this is subject to further reduction because many of the costs which contractors incur in the course of a job are disallowed. So when the contractor gets all through, his earnings before taxes average about 4% of his sales, and after taxes may run as low as 2%. During World War II, there was a compensating factor. Companies got production contracts which, because of their large repetitive volume, made up for the low return on research and the meager percentage allowance on production. Now there is rarely any large-scale production and the allowance figures are the same.

Throughout the present contracting procedure, renegotiation hangs like a sword over the contractor's head. Let me give you an example of what I mean. Suppose that an efficient producer manufactures a defense item and sells it for $900, making a profit of, say, 15%. Then, suppose that an inefficient producer sells the same item for $1,000 and makes a profit of only 5%. Even though the efficient producer sold the item at a much lower price, it is he and not his inefficient competitor who stands to have his defense profits renegotiated, on the ground that they are "excessive." What we have here, in effect, is a case of a company being penalized for actually saving the Government some money.

The purpose of the Renegotiation Act is highly commendable. It was drawn up originally during World War II to provide for a review of contracts that were being hurriedly executed under the pressure of a war emergency. But modification of the law is long overdue. The chief danger today lies in having too many checks, rather than too few.

Businessmen, of course, recognize the need for some controls on defense work. But the control procedure must be tempered with judgment and adjusted to meet varying conditions if we are not to weaken incentive.

The practice of checking, in some instances, has been carried to harmful extremes. For example, one aircraft company estimates that fully one-third of its technical staff is needed to cope with Government paperwork. It devotes upwards of 400,000 man-hours a year to preparing reports for a long list of Federal agencies. Instead of writing reports and serving on reviewing committees, these scientists and engineers could be far more productively employed in gaining new knowledge through research.

While we are considering the matter of incentive, let's remember that this concept applies to those working in Government and the Armed Forces as well as to those in business.

When George Washington came to Cambridge to take over the Continental Army Command, he understood very well the principle of paying men to fight. However, it remained a continuous problem with him throughout the Revolutionary War to convince Congress and the States that they should live up to their pledges of providing pay, equipment, supplies and special benefits for soldiers.

### Better Paid Military Demanded

Prior to World War II, our military services were predicated on the traditional lines of land and sea forces operating relatively independently. The services were made up of a comparatively small corps of professional personnel, on the assumption that these people and the meager resources furnished them would provide a

Continued on page 20

# Dealer-Broker Investment Recommendations & Literature

*It is understood that the firms mentioned will be pleased to send interested parties the following literature:*

**Agricultural Equipment Makers** — Review — Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a bulletin on **Joy Manufacturing** and **General Cable.**

**Air Transport Industry in the Jet Age**—Survey—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

**Atomic Letter No. 41**—Report on possible role of lithium in a thermo-nuclear fusion device, etc.—Atomic Development Mutual Fund Inc., 1033 30th Street, N. W., Washington 7, D. C.

**Burnham View** — Monthly investment letter — Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available is current **Foreign Letter.**

**Chemical Companies**—Comparative analysis of leading companies—Montgomery, Scott & Co., 120 Broadway, New York 5, N. Y.

**Conservative Switch** from stocks to bonds—Suggestions—Peter P. McDermott & Co., 42 Broadway, New York 4, N. Y.

**Fire & Casualty Stocks**—Comparative figures at mid-year—Robert H. Huff & Co., 210 West Seventh Street, Los Angeles 14, Calif.

**Foreign Exchanges** — Review — Samuel Montague & Co., Ltd., 144 Old Broad Street, London E. C. 2, England.

**Inflation and the Infant Recovery** — Review — C. F. Childs & Company, 1 Wall Street, New York 5, N. Y.

**Japanese Corporations** — Analysis of financial statements of leading corporations — Comparative statistical tabulation — The Daiwa Securities Co., Ltd., 8, 2-chome Otemachi, Chiyoda Ward, Tokyo, Japan.

**Japanese Stocks** — Current information — Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York.

**Military Investment Manual**—24-page booklet on mechanics of investment procedure "tailored" for service personnel—Harris, Upham & Co., 1505 H Street, N.W., Washington, D. C.

**Over-the-Counter Index**—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 19-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

**Petroleum Situation** — Review — The Chase Manhattan Bank, Petroleum Department, 18 Pine Street, New York 15, N. Y.

**Products and Processes**—Booklet on products of the company — Booklet "G" — Union Carbide Corporation, 30 East 42nd Street, New York 17, N. Y.

**Put & Call Options** — Booklet on how to use them — Filer, Schmidt & Co., 120 Broadway, New York 5, N. Y.

**This Is Cynamid**—Booklet on organization, products and activities of the company and its subsidiaries—Public Relations Department, American Cynamid Company, 30 Rockefeller Plaza, New York 20, N. Y.

* * *

**Allied Stores**—Data—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y. Also in the same bulletin are data on **Associated Dry Goods** and **Bond Stores.**

**American Stores** — Survey — Abraham & Co., 120 Broadway, New York 5, N. Y. Also in the same circular are surveys of **Maytag Company** and **Royal McBee.**

**Amp Incorporated** — Report — The Milwaukee Company, 207 East Michigan Street, Milwaukee, Wis. Also available are reports on **American Hospital Supply, Arizona Public Service Company, Reading** and **Bates Offshore Drilling Company,** and **Life Companies.**

**Baltimore Gas and Electric Company**—Review—The First Boston Corporation, 15 Broad Street, New York 5, N. Y.

**Beckman Instruments Company**—Study—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is a study of **Standard Packaging Corporation.**

**Compo Shoe Machinery Corporation**—Bulletin—De Witt Conklin Organization, 120 Broadway, New York 5, N. Y.

**Cooper Tire & Rubber**—Analysis—Straus, Blosser & McDowell, 111 Broadway, New York 6, N. Y. Also available are analyses of **Neptune Meter Company** and **Texas Industries Inc.**

**Evans Products**—Analysis—Dreyfus & Company, 50 Broadway, New York 4, N. Y. Also in the same circular is a brief analysis of **Paramount Pictures.**

**Gimbel Brothers** — Brief review — In "Current Comments" — Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same bulletin are a list of 42 selected issues which are candidates for stock dividends or splits, and a list of 40 selected stocks in the 30s.

**Guardian Consumer Finance**—Analysis—John C. Kahn Company, 1108 16th Street, N. W., Washington 6, D. C.

**Interprovincial Pipe Line Company** — Analysis — McLeod, Young, Weir & Company Limited, 50 King Street, West, Toronto, Ont., Canada.

**Johns Manville Co.**—Data—Purcell & Co., 50 Broadway, New York 4, N. Y. Also in the same circular are data on **Borg Warner Corp.**

**Maryland Shipbuilding & Drydock**—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass.

**Mercast Corp.** — Circular — Hanson & Hanson,, 40 Exchange Place, New York 5, N. Y.

**Mohawk Rubber Co.** — Circular — J. N. Russell & Co., Inc., Union Commerce Building, Cleveland 14, Ohio.

**Monterey Oil Company** — Analysis — Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif. Also available is a report on **Pacific Finance Corporation.**

**New York, Chicago & St. Louis Railroad** — Memorandum — Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available is a memorandum on **Sanders Associates.**

**Nippon Gas Chemical Industries**—Analysis in current issue of "Monthly Stock Digest" — Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same Digest is an analysis of the current Japanese economic situation.

**Oglesby Norton Co.**—Memorandum—Fulton, Reid & Co., Union Commerce Building, Cleveland 14, Ohio.

**Pacific Gas & Electric Company** — Analysis — Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available is an analysis of **General Contract Corporation.**

**Pacific Uranium**—Report—Singer, Bean & Mackie, Inc., 40 Exchange Place, New York 5, N. Y. Also available is a report on **Seismograph.**

**Packard Bell Electronics Corp.**—Report—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

**Scudder Fund of Canada Ltd.**—Study—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

**Seaboard Air Line Railroad Company** — Report — Thomson & McKinnon, 1 Wall Street, New York 5, N. Y.

**South Shore Oil & Development Co.**—Memorandum—Howard, Weil, Labouisse, Friedrichs & Co., 222 Carondelet Street, New Orleans 12, La.

**Speer Carbon Company** — Analsys — H. Hentz & Co., 72 Wall Street, New York 5, N. Y.

**Spiegel, Inc.**—Analysis—T. L. Watson & Co., 25 Broad Street, New York 4, N. Y.

**Standard Oil Company of California**—Analysis—Schweickart & Co., 29 Broadway, New York 6, N. Y.

**Walt Disney Productions**—Analysis—Delafield & Delafield, 14 Wall Street, New York 5, N. Y.

**S. D. Warren Co.**—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

**Yonkers Raceway Inc.**—Bulletin—Hunter Securities Corporation, 52 Broadway, New York 4, N. Y.



# NSTA Notes

**NATIONAL SECURITY TRADERS ASSOCIATION**

The National Security Traders Association is sponsoring an informal press buffet-luncheon at the Overseas Press Club, New York City, on Thursday, Sept. 25, starting at 12 noon.

The officers will present an up-to-date report on the Association's operations and will give a run-down on the schedule of activities at the Annual Convention to be held in Colorado Springs beginning Sept. 29.

**SECURITY TRADERS ASSOCIATION OF NEW YORK**

The Security Traders Association of New York announces the second half of the year's activities.

The STANY Glee Club and Bowling League will start their Fall season about the week of Sept. 10.

The first social affair will be the fourth annual Cocktail Party and Dinner Dance to be held at the Hotel Pierre, on Saturday, Oct. 25. Price will be the same $30 per couple, all monies to be expended—no profit to STANY. Reservations are limited and should be made at an early date.

On Nov. 10, 1958 the Annual Beefsteak Party will be held at the Antlers Restaurant.

On Dec. 5, 1958 STANY will hold its annual meeting at the Bankers Club for election of officers and a free cocktail party.



## Joins Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Alvin M. Rudd has become affiliated with Paine, Webber, Jackson & Curtis, 626 South Spring Street, Mr. Rudd was previously with J. Logan & Co.

## With M. J. Ross

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Bernard J. Fund is now with M. J. Ross & Co. Inc., 6505 Wilshire Boulevard.

# COMING EVENTS

In Investment Field

**Sept. 18, 1958 (New York City)**
Cashier's Division, Association of Stock Exchange Firms, Fall Golf Tournament at the White Beeches Golf and Country Club, Haworth, N. J.

**Sept. 18, 1958 (New York City)**
Corporate Transfer Agents Association 12th annual golf tournament and outing at Colonia Country Club, Colonia, N. J.

**Sept. 18-19, 1958 (Cincinnati, Ohio)**
Municipal Bond Dealers Group annual outing — cocktail and dinner party Thursday at Queen City Club; field day Friday at Maketewah Country Club.

**Sept. 19, 1958 (Philadelphia, Pa.)**
Bond Club of Philadelphia annual field day at Huntington Valley Country Club.

**Sept. 26, 1958 (Cleveland, Ohio)**
Bond Club of Cleveland fall outing at the Cleveland Country Club.

**Sept. 26, 1958 (Pittsburgh, Pa.)**
Bond Club of Pittsburgh annual Fall Outing at the Allegheny Country Club, Sewickley, Pa.

**Sept. 26, 1958 (Rockford, Ill.)**
Rockford Securities Dealers Association annual "Fling - Ding" at the Mauh-Nah-Tee-See Country Club.

**Sept. 29-Oct. 3, 1958 (Colorado Springs, Colo.)**
National Security Traders Association Annual Convention at the Broadmoor.

**Oct. 2-3, 1958 (Kansas City, Mo.)**
Southwestern Group of the Investment Bankers Association annual outing at Oakwood Golf & Country Club; cocktails and lunch at Eddys Thursday and dinner that evening; golf, etc., Friday.

**Oct. 6-7, 1958 (Boston, Mass.)**
Association of Stock Exchange Firms Board of Governors meeting at Somerset Hotel.

**Oct. 9, 1958 (New York City)**
Commodity Exchange Silver Anniversary Dinner at the Hotel Astor.

**Oct. 25, 1958 (New York City)**
Security Traders Association of New York annual cocktail party and dinner dance at the Hotel Pierre.

**Nov. 7-8, 1958 (Chicago, Ill.)**
National Association of Investment Clubs 8th annual convention at the Hotel Sherman.

**Nov. 10, 1958 (New York City)**
Security Traders Association of New York Annual Beefsteak Party at the Antlers Restaurant.

**Nov. 30-Dec. 5, 1958 (Miami Beach, Fla.)**
Investment Bankers Association of America annual convention at the Americana Hotel.

## Loeb and Robinson Quizzed on Outlook For Stock Market

**Financial writers C. Norman Stabler, A. Wilfred May, Murray J. Rossant and George Bookman, comprised panel which queried E. F. Hutton partner and Massachusetts Investors Trust chairman on their stock market views. Douglas Leigh served as moderator.**

A prediction of further inflation and its accompaning erosion of the dollar was made by two prominent members of the securities

G. M. Loeb Dwight Robinson, Jr.

investment field who also agreed on the prospect of higher stock prices a decade from now.

Gerald M. Loeb, Partner in E. F. Hutton & Company, and Dwight Robinson, Jr., Chairman of the Board of Trustees, Massachusetts Investors Trust, spoke at the opening fall luncheon of the New York Sales Executives club on Sept. 16. They were queried by a panel of financial writers comprising George Bookman, "Time" magazine; Murray J. Rossant, "Business Week"; A. Wilfred May, "Commercial & Financial Chronicle"; C. Norman Stabler, New York "Herald Tribune." Douglas Leigh acted as moderator.

**Stock Rise Spotlighted**

The spotlight of interest was on the current heights to which the market has risen. Mr. Loeb felt that, barring unexpected world news, the market could go higher since it is essentially discounting an expectation of greater inflation and better earnings. According to Mr. Robinson the rise reflects "definite evidence of the upturn in business, and the effect of the capital gains tax in causing many investors to refrain from selling stocks."

It was Mr. Robertson's appraisal that on a historical basis stocks appear high in relation to earnings and "it is difficult to find good values." Mr. Loeb maintained that some of the "traditional measuring sticks" in the market are often used rather loosely. He stated that current psychological factors have a great bearing on the price of stocks regardless of the company's earnings.

## Westheimer Co. Opens Office in Chicago

CHICAGO, Ill. — Westheimer & Co., members of the New York Stock Exchange, have opened a branch office at 134 South La Salle Street under the management of Seymour Fishman. Mr. Fishman was formerly Vice-President of Henry Montor & Associates, in charge of their Chicago office.

## Dreyfus & Co. to Admit Two Partners

Dreyfus & Co., 50 Broadway, New York City, members of the New York Stock Exchange, will admit Howard Stein and Leonard V. Segal to partnership on Oct. 1.

## Zenzie & Johnson V.-Ps. Of Templeton, Dobbrow

ENGLEWOOD, N. J.—Templeton, Dobbrow & Vance, Inc., investment counsel, announce that Henry Zenzie and Albert O. Johnson have become vice presidents of their firm.

Mr. Zenzie was formerly with the Hartford Trust Company, security analyst with Burns Bros. & Denton, Ltd., Toronto, and has done research for a private development company. He is a vice president of Axe-Templeton Growth Fund of Canada.

Mr. Johnson was formerly with the Irving Trust Company, the New York State Banking Department, and Savings Banks Trust Company. While executive vice president and director of the latter institution, he managed its securities portfolio.

### Earl T. Carr Opens

METAIRIE, La.—Earl T. Carr is engaging in a securities business from offices at 4936 Veterans Memorial Highway.

### Opens Inv. Office

(Special to THE FINANCIAL CHRONICLE)

GRAND JUNCTION, Colo.—Jane I. Ferrell is engaging in a securities business from offices at 444 Main Street. She was formerly with King Merritt & Co. and Ferrell & Ferrell.

### Jerry Thomas Branch

BOYNTON BEACH, Fla.—Jerry Thomas & Co. Inc., has opened a branch office at 418 Federal Highway under the direction of O. R. Tergesen.

### FIF Dist. of Hawaii

HONOLULU, Hawaii—FIF Distributors of Hawaii has been formed with offices at 947 Keeaumoku Street to engage in a securities business. Jack N. Matsuzaki is a principal.

### P. W. Brooks Branches

P. W. Brooks & Co., Inc., has opened offices at 231 Lake Avenue, Bridgeport, Conn.; 76 Woodlawn Avenue, Auburne, Maine; and 744 Broad St., Newark, N. J.

# Chemical Company Growth Requires Policy Planning

By DR. WILLIAM COPULSKY and FRED SHINAGEL
Commercial Research Director and Financial Analyst, Respectively, of Grace Research and Development Division W. R. Grace & Company, New York City

**Messrs. Copulsky and Shinagel carefully explain the importance of "long range planning" to chemical companies and how it differs from but provides the basis for financial forecasting and budgeting. The authors enumerate the steps in long range planning and the distinctive features of strength in growing chemical companies; point out the value to top management and to operating management; and in discussing the corporate goal of benefits to the stockholders show that though growth does not insure profits it does make it easier to find profits.**

Long range planning for chemical company growth differs substantially from financial forecasting. It is more concerned with

Dr. Wm. Copulsky — Fred Shinagel

defining and fulfilling company goals by establishing growth policy and desirable corporate structures.

A policy serves as a guide for management action. The best policies are derived from the experience of decisions made in day-to-day operations. Thus each decision contributes to policy. Policies can be completely informal or highly formalized, but well defined policies are necessary to set well defined management guides and goals.

Policy making is not decision making. Planners cannot usurp the decision-making functions of management. Policies only set the goals and guides against which management bases its decisions.

Policies, however, do not eliminate the necessity to carefully examine individually all new projects as to their specific economic and technological merits as well as their fit into the overall growth plan.

### Long Range Planning Differs From Budgeting

A budget is a financial device to control capital expenditures to the restrictions of capital availability. Of necessity, the budget combines realistic sales and profit objectives and provides standards for measuring operating success.

Planning should be the foundation of the budget by providing the operating objectives, goals, and standards. Effective planning demands an understanding of the business of the company, and its response to internal and external influences.

This look at the future of the corporation combines two interrelated aspects:

(1) Where does the company want to go? This sets goals and objectives.

(2) How will the company get there? This is the plan and program.

The foremost prerequisite of long range planners is vision. This means an awareness of a company's weaknesses and strengths, backed by courage, intuition, experience, technical skills, and knowledge of the world's economic, political, and social trends. Obviously, this is not a one man job, nor is it a job for operating management alone. Rather, the function is best filled by expert staff help coupled with the combined experience of those intimately familiar with day-to-day operations, and those involved in broader long-term corporate responsibilities.

### Steps in Long Range Planning

*Knowledge of the Industry.* The chemical industry is the framework within which the company and its divisions operate. The industry has to be defined in technological and economic terms rather than in terms of arbitrary conventional definitions such as are used in the Census.

Each segment of the industry must be studied in the light of the economic characteristics of the whole industry, as well as the overall national economy.

The key problem is how and where the industry is growing—which growth fields are attractive for expansion—and how such growth fields are subject to (1) technological change, (2) competitive pressure, (3) business cycle.

*Knowledge of the Business of the Company.* Basic information on the businesses of a company must be collected and studied. In aggregate product groups, similarity of commercial risks should be the guiding criterion. A description of basic strengths and weaknesses of the business is very essential—this includes an inventory of special skills available.

Upon completing the detailed analysis, the parts of the picture are combined to allow a look at the whole: I. What are the overall risks for the combined businesses of the company (1) technologically, (2) marketwise, (3) in respect to the business cycle? II. Are the risks diversified or cumulative?

*Evalating the Company.* The evaluation of the company as it exists, should be based on the three cornerstones of growth, profit, and stability.

Is the company in the right "fields?" To answer the question of what "fields" the company is in may itself be a substantial problem. Is the company properly established in its fields? Should the company go into more fields? or less?

Are company goals satisfactory? Are they achievable in terms of capital, manpower, and other assets? How can the company achieve goals using its present distinctive status as a springboard —invest? disinvest? organize?

Is the company well established to proceed with new projects through (1) research, (2) acquisitions, (3) purchase of processes or know-how, (4) forward or backward integration? Does the company have a good procedure and system for finding new projects? for evaluating them with proper relation of return criteria to risk? for presentation to, and obtaining approval of management?

Lastly—since a company consists of "businesses" and "fields," how can the total be made greater than the sum of the parts?

### A Strong Company

The distinctive features of strength in growing chemical companies are:

(1) Capital investment at maximum efficiency.

(2) Actions based on policies designed to strengthen the business.

(3) Creation of demand constant enough to permit planned production at profitable prices.

(4) Ability to increase production at lower costs.

(5) Continuity of operation.

The chief concern of an enterprise is to survive, secondly to strengthen its trade position. Actions are primarily governed by long-range policies rather than opportunism and profit maximization. Overhead expenses are high. Companies must plan to survive market and other changes—technical, economic, social, and political.

Prices are chiefly set to (1) capture expanding markets (2) cover costs during depressed business periods, (3) meet or forestall competition.

Competitive position, however, is not determined by price alone, but equally by the building up of good will and repetitive demand, to serve with increasing efficiency an ever-widening group of customers.

Businessmen need assured raw materials, access to complete services such as research and legal advice, trade connections and a reputation that will attract and hold customers. The number and importance of these trade advantages determine success and growth.

The indispensability of reputation is most evident when it is lacking. All transactions become difficult and cumbersome. Every new product starts from scratch. It seems to take twice as long and cost twice as much as anyone ever thought to launch a new product. Quality must be proven and performances demonstrated. New products show defects in use. When corrected, persuading consumers is a long, hard job. Trade connections have to be built up. Often these take many years of profitable and pleasant dealings before orders can be placed over the phone with confidence that quality of goods will be up to standard, the price right, and delivery punctual. Until occasional customers can be turned into regular customers, each sale is work. Potential customers must be found, persuaded, shown. Costs are high; the small money-saving tricks of the trade take time to learn.

In classical economics, scarcity of goods was presupposed. As demand increased, marginal resources and methods would be used, resulting in higher costs, and prices would rise until demand stopped increasing, and a new equilibrium reached at higher prices.

But in the modern chemical enterprise, with a virtually unlimited ability to produce at decreasing costs, an increase in demand allows increased output at lower costs and potentially lower prices. Broadening markets thus becomes an attractive goal, benefitting producer and consumer alike.

This modern condition emphasizes the chemical industry's need for the services of market and laboratory research to convert luxuries to necessities.

### Value of Long Range Planning

Long range planning will be of value to two management groups which may be called top management and operating management.

*Value to Top Management.* Top management, in its entrepreneurial role, executes company-wide responsibilities and has little contact with day-to-day operating problems. Consequently, top management's interest stresses the future developments of the chemical industry, to which they are committed over the long term, and where major growth oportunities may lie. They also want to know both qualitatively and quantitatively, if possible, where risks and delays potentially exist. Will there be unique opportunities created by technological or economic changes? How does the existing company rate as a springboard to the future? What criteria of performance with respect to profitability and growth etc., should be applied? What alternatives are open for the future, what are the risks, and what are the capital and other requirements for such alternatives? What policies should be implemented in considering new projects, acquisitions, etc.?

Also, the growth plan and objectives of the company aid in capital financing by furnishing basic information desired by potential investors.

*Value to Operating Management.* The main contribution for operating management will be the knowledge of how parts of the company fit together in the present and future. Also, operating management will be informed on what policies are likely to be introduced, and what decisions are likely to be made by top management which will affect company operations. Moreover, operating management will have a better idea of what they can contribute to the whole; what standards of performance will control them; and what basic objective should guide them.

### The Chemical Company Goal

The basic corporate goal is to benefit the company owners or stockholders. These benefits are in two principal forms: income through dividends and appreciation in investment value as reflected in the stock price.

The stock price in turn is a reflection of the future value of earnings as viewed by the investor and modified by external factors which can be summed up as "market climate."

*Tangible Factors Shaping Goal Results.* The stock price will be especially influenced by the growth in per share earnings and the ratio of stock price to per share earnings. Per share earnings and growth in per share earnings will be largely influenced by the profitability of invested funds available from retained earnings, depreciation, and debt; and by profit and depreciation from existing investments. Tangible measures determining achievement of stockholder benefits, in terms of dividends and stock price, are:

(1) Profit on investment.

(2) Growth of per share earnings.

(3) Effectiveness of research program.

*The Prime Directive to Operating Management.* The corporate goal of benefits to stockholders involves two basic considerations: growth and profit—the company is interested in both. However, the prime directive to operating management is profit. Profit leads to growth, but growth does not necessarily lead to more profit, especially expressed in return on equity capital. The principal contribution of operating management to the corporate goal should be in the profit area. Top management, on the other hand, concerns itself with the financial policies that convert profits into dividends and increase the valuation of the stockholders' equity.

*Why Growth Fields Are Important.* If profit is the governing measure of good management, why are growth fields so important to the company in establishing its future direction? Growth does not insure profit. Profit is more closely related to risk. But growth fields do offer (1) more opportunities for new ventures and expansion; (2) less competitive pressures. Profit opportunities are not derived from growth, but are easier to find in growth areas.

*The Management's Corporate Image.* Management must have their own corporate image. The future of the company may be determined in large measure by the image of the future that reflects the dreams, doubts, aspirations, and fears of management. A management with optimistic ideas, has more chance to grow and prosper than one of hesitant faith. *Thinking* of the future helps create management's corporate image of the future. Belief in possibility of attainment is vital before effective action based on guides and goals can be taken.



## Boston Financial Research Associates

BOSTON, Mass.—The organization of Boston Financial Research Associates is announced by Victor G. Dugal of J. B. Maguire & Co., Inc. newly-elected president.

Membership is comprised of persons engaged in financial analysis and security appraisal in the Boston area. Purpose of the Associates is to further the knowledge of its members in over-the-counter and certain listed securities primarily for the benefit of broker-dealers and their clients; promotion of a high standard of professional financial analysis; and the exchange of ideas and discussion of mutual problems.

Other officers elected are: Richard L. Shea of Schirmer, Atherton & Co., and Ellsworth Abercrombie of Burgess & Leith, Vice-Presidents; Clement R. McCormack of J. H. Goddard & Co., Inc., Treasurer; Chenery Salmon of Coffin & Burr, Inc., Secretary. Governors including the officers are: Richard E. Murray of May & Gannon, Inc.; Roger B. Whitman of F. S. Moseley & Co.; Paul D. Sheeline of Paul D. Sheeline & Co.; and James H. Odell of Chace, Whiteside & Winslow, Inc.

## Skaife Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BERKELEY, Calif.—David S. Rohl has been added to the staff of Skaife & Company, 3099 Telegraph Avenue.

## Whitehead to Conduct Course at Hunter

Dr. Edward Davison, Director of the Hunter College School of General Studies, has announced that Louis H. Whitehead will conduct the course in Investments beginning Sept. 30. The course will meet one evening a week for a total of 15 sessions.


Louis H. Whitehead

Formerly a member of the faculty of Syracuse University, and a lecturer for the American Institute of Banking, Mr. Whitehead is a partner of Nye & Whitehead, New York, Investment Advisers and members of the New York and American Stock Exchanges.

Mr. Whitehead has had more than thirty years of experience in investment research and advisory work and is in charge of his firm's investment counseling department. He is a graduate of the Wharton School of Finance & Commerce at the University of Pennsylvania. Since 1942 Mr. Whitehead has been a member of the faculty of the New York Institute of Finance, successor to the New York Stock Exchange Institute, where he conducted courses in Economics and Current Economic Developments Affecting Investments.

## *From Washington Ahead of the News*

By CARLISLE BARGERON

Unless an unforeseen miracle occurs the next Congress will be labor controlled as bad as or even worse than it was during the early New Deal. This is the inescapable view in the light of recent primaries and the election in Maine.


Carlisle Bargeron

In Maine only one Republican senator and one Republican congressman are left in this hitherto rock-ribbed Republican state, one of the two states that Roosevelt did not carry in his sweep of 1936. Even in Utah, Senator Watkins is threatened. So are Senator Thye in Minnesota, Senator Malone in Nevada; in Washington the Republicans have not put up a candidate. The Democrats, it is estimated, will pick up at least 40 seats in the House. That body will be so lop-sided that as in 1936, Democrats will have to be seated on the Republican side. Even the staunchly Republican state of Iowa is threatened with a Democratic legislature.

Senator Dirksen of Illinois will likely be the Republican leader of the Senate but with hardly any Republicans to lead. It doesn't make sense. The Democrats were in control of the last two Congresses so if the people are dissatisfied with their legislative body they should take it out on them.

The chances are that Sherman Adams will go but there is really no need for him to do so. It doesn't seem that anything can stop the Democratic tide. Thus the Republicans, out of office for 20 years, have been back six and of that six they have had control of Congress for only two.

In the last Congress there were 165 members who owed their election to organized labor. You can imagine what the score will be next year.

In Indiana the Republicans are having difficulty in implementing their campaign to hold onto the seat vacated by Senator Bill Jenner. They are in danger of losing four or five House seats. This is true in Pennsylvania, and in New York District Attorney Hogan is expected to defeat Congressman Keating. Unless there is an upsurge of conservative sentiment in California the Democrats will win there.

There are one or two bright spots in the picture. In Ohio the indestructible John W. Bricker is expected to return and Senator Goldwater is believed to have more than an even chance out in Arizona. In Ohio the Democrats are expected to win the governorship, though.

The fact that the Democrats have captured most of the state houses gives the Republicans so much trouble. This gives them the opportunity to build up their state machines and this they have been assiduously working at for six years. Even with Eisenhower winning so handily in 1952, he didn't make an appreciable dent in the Democratic strength in the states. He barely succeeded in electing a Congress that year, only to lose it in the off year of 1954 and in 1956 he lost it although winning by a landslide himself. It is a paradox that candidates unendorsed by him seem to be making a better showing this year. I have never seen a situation quite like it.

Eisenhower may have been a good President or he may not have been but he hasn't been a good Republican President. He hasn't done anything to help the morale of Republican workers. He has done many things to hurt it. His crusade for "modern Republicanism" has left the workers in the field listless. They go into this campaign with their two sustaining issues all shot to pieces—peace and prosperity. The economists may agree that the depression is over but the millions who are without jobs don't yet see it, and the situation in the Far East makes the peace issue rather tenuous.

### Form Fox & Carskadon

(Special to THE FINANCIAL CHRONICLE)

SAN MATEO Calif. — Fox & Carskadon, Inc. has been formed with offices at 2000 El Camino Real to engage in a securities business. Officers are E. Ransom Fox, President and Emmet J. Cashin, Jr., Vice-President. Arthur B. Dublin is also associated with the firm.

### Form Henry Associates

(Special to THE FINANCIAL CHRONICLE)

HIALEAH, Fla. — Henry & Associates, Inc., has been formed with offices at 11 Flamingo Plaza to engage in a securities business. Officers are F. C. Ewing, President; H. Milander, Vice-President; Robert G. Maxwell, Secretary; and A. B. Plassey, Secretary.

### Webster Securities Opens

Webster Securities Corporation has been formed with offices at at 37 Wall Street, New York City to engage in a securities business. Officers are Irving Kastner, President and Treasurer; Morris Finkel, Vice-President; and Fay Inslicht, Secretary.

*Continued from page 2*

## The Security I Like Best

There is reason to believe that additional expansion through acquisitions and mergers are in the offing; however, in all probability this will come after the newly formed company is operating as efficiently as its very capable management feels it should. The management of Vulcan is headed by Charles W. Ireland, second generation of Ireland's in the aggregate field. The family is extremely well regarded and as demonstration of Mr. Ireland's capabilities, after his return from the service the company's, as it was then constituted, earnings were increased 40% each year for 10 years.

It is a little difficult to analyze the financial position of the company from a comparative standpoint because of different accounting practices and fiscal years before consolidation. The per share earnings based on present capitalization for the past six years is as follows:

| | |
|---|---|
| 1957 | $ .92 |
| 1956 | 1.31 |
| 1955 | 1.05 |
| 1954 | .80 |
| 1953 | .56 |
| 1952 | .53 |

Management has estimated a 25% increase in earnings for 1958 (which by the way will include very little from the stepped up road building program) or approximately $1.15 per share. The dividend rate was increased 25% this year from $0.40 to $0.50 per annum.

In summation I feel although it must be considered somewhat of a speculation because of its infancy, the patient investor should be well rewarded in VULCAN MATERIALS COMPANY (traded on the N. Y. S. E. at 16) whose destiny seems to be pointed toward leadership in one of the country's real growth industries —aggregates and construction materials.

# Do We Need Preferred Depositors?

By FRANCES W. QUANTIUS
Associate Professor of Finance, Columbus, Ohio

**Describing it as both discriminatory and anachronic, the author sees little justification for the present practice of allowing the Treasury to continue to be a preferred depositor. Dr. Quantius raises several points showing why banks should no longer be required to earmark assets for government deposits**

In today's banking environment the presence of preferred depositors raises several interesting questions of both logic and equity. Approximately $19 billion in United States' Government securities constitute assets pledged by commercial banks against deposits owned by the United States Treasury Department or by state and local governments.

For years banks designated as depositaries of public money have been required by Federal and state laws to give satisfactory security for the safe-keeping and prompt payment of these funds, the collateral security to be at least equal to such deposits. As a result bankers have earmarked government securities, government guaranteed securities, and other high grade assets on behalf of these preferred depositors. Under Federal law the approval and valuation of the securities is entrusted to the Federal Reserve Banks which act under the direction of the Secretary of the Treasury in this matter. The reserve banks in like manner control withdrawal of securites, the substitution of other securities, and the pledging of additional securities as required by circumstances.

### Cities Court Ruling

At the same time it has been firmly established by court rulings our commercial banks lack the power to secure private deposits in the same manner. One of the most significant of such cases was the United States Supreme Court's decision in Texas and Pacific Railway Company v. Pottorff (1934) 291 U. S. 245. This case involved the First National Bank of El Paso, Texas. The bank failed in September 1931, and S. O. Pottorff was appointed receiver. At the time of failure the Texas and Pacific Railway Company, a long standing customer of the bank, held a checking account of $54,646.94. In January 1931 the bank had pledged $50,000 in Liberty Bonds to secure the account as it stood at that time. These bonds were held for the railroad in the bank's trust department. At the time of failure the railroad made claim as a preferred creditor, stating that either the bonds or the proceeds from their sale should be surrendered to it by the receiver. Pottorff, however, denied the validity of the pledge and offered the railroad only the amount to which it would have been entitled as a unsecured, general creditor.

During the proceedings it was shown that national bank examiners had known of this pledge of assets before the failure of the bank and that they had not advised the bank's officers that the pledge was beyond their powers. The railroad held that in any case the receiver was not in a position to question the pledge.

In rendering its decision, the Supreme Court held that the measure of the powers of national banks lies in the statutory grant and that powers not conferred by Congress are denied. It ruled that unauthorized pledges reduce the assets available to the general creditors of the bank and that such pledges are inconsistent with many provisions of the National Bank Act—provisions which are designed to ensure uniformity in the treatment of depositors and a ratable distribution of the assets in case of the failure of the bank. Therefore it is the duty of a receiver of an insolvent corporation to move to set aside illegal transactions which reduce the assets available for the general creditors.

### Adverse Affect on Other Depositors

The question raised here pertains in part to the arguments above, namely, do those arguments not apply equally well today to the government as a preferred depositor? The fact that many banks do not need to alter their investment plans at present in order to meet the requirements of the law is beside the point. The amount of government securities which it is necessary to pledge as collateral against goverment deposits often does fall within the regular investment program of many of the banks. This does not alter the fact that these assets are earmarked and every other large depositor is that much less well off, assuming that the government really gains anything from the present practice. In fact, every depositor, large or small, is at least somewhat adversely affected when the government is not treated like other large depositors. On the other hand, to swing in the opposite direction and allow both public and private preferred depositors would have little point. If everyone is to be a preferred depositor, to be one means nothing.

### An Anachronism

Morevore, would there now be any harm in placing the government on the same basis as any other large depositor? The safety and liquidity of the government's deposits were important reasons for the establishment of the present practice. Today, however, this practice is archaic in as much as there has been more recent banking legislation aimed toward the achievement of the same general objectives by more satisfactory means. Then, too, the banks are in much better condition. In the Banking Act of 1935 liquidity has in effect become practically synonymous with solvency in the case of solvent member banks. There is no longer so much stress placed upon bank holdings of liquid assets, such as government securities, since in a crisis the Federal Reserve, after ordinary channels have been exhausted, will temporarily purchase any satisfactory asset of a solvent member bank, thus providing so called "institutional liquidity."

A satisfactory asset is any asset which has received the approval of the examiners. It is an asset that appears to be of intrinsic worth with the passing of time even though not marketable at once without loss through regular banking procedures. Thus a member bank must now be actually insolvent in order to be illiquid and consequently unable to meet the demands of its depositors. Not only do the member banks do approximately 85% of the banking business in this country, but many non-member banks are free to join the Federal Reserve System upon application should they desire this privilege of institutional liquidity.

### Other Arguments

In addition to this legislation, we now have both deposit and loan insurance offered to bankers by government agencies. In some cases these types of insurance are compulsory. Thus to a degree both sides of a bank's balance sheet are insured. The deposit insurance gives limited but quite adequate (in some cases 100%) protection to depositors, while loan insurance helps the bank to remain a going concern to the benefit of both its owners and its creditors.

A further factor of strength lies in bank profit. Profits have been making an excellent showing when one allows for the fact that commercial banks have increased their capital accounts over 73% in the years following World War II. The average rate of reported profits on this increased capital probably understates the long-run profit potentialities in the banking profession. In the 1957-1958 period it has been noted frequently that bank earnings have been standing at record highs, and prospects for future earnings, due to such factors as the introduction of automation into banks, are very good indeed. This should give added reassurance to all depositors, public as well as private.

One final aspect of this subject concerns the possible effects that the retention of the concept of preferred depositors might have so far as monetary policy is concerned. It appears that if credit control is not reinforced with suitable debt management policies, there may be some danger of excessive chaneling of bank funds into the financing of budgetary deficits thus further relieving the government of reliance on the capital markets to raise funds. This situation could also give rise to a number of familiar problems associated with past periods in which our banks have held too large a proportion of the government securities outstanding.

### Conclusion

In conclusion there seems to be little justification for the continuance of present practice with regard to government deposits.



# Investment Advice On Home Building

By ROGER W. BABSON

**Mr. Babson offers discouraging advice regarding investment in residential property but does encouragingly advise young couples to build, now, their own single home or two-family —or "duplex" house. He suggests the latter for those looking for a financial boost and explains why this does not involve any conflict with his proscription against investing in rental residential property. Places greater importance upon land than on building structure.**

Whether you pay rent, own your home, or plan to build, you are interested in the building outlook. You are concerned, too, with how such costs compare with those of five or ten years ago and you want to know the prospects for the future.


Roger W. Babson

Land values have stood up amazingly well during the sharp setback met by general business. With few exceptions, land is now selling for as much as or more than it was a year ago. Vacant land well located in relation to the business centers of most cities often commands a premium price, especially if zoning laws permit it to be developed for parking space. Meanwhile, land in the suburbs continues upward in price, as does "close in" farm land. I am bullish about most land. A severe depression could sometime cut land prices, but the long-term trend is for higher prices. Generally speaking, the longer you postpone a given land purchase, the more the land will cost you.

The construction industry is now zooming along in high gear. Despite the business downturn earlier this year, expenditures for residential building for the first seven months were about the same as a year ago. Bolstered by this good consumer demand and by steadily rising wages, construction and building costs are at an all-time high (as measured by an index covering 20 leading cities). Price pressure for most building materials will continue generally firm or **upward.**

### Shall I Build as an Investment?

I am not in favor of building—or buying—residential property to be rented as an investment. Such property is usually fairly high in cost and often does not bring in any very large return. It is expensive to maintain and can turn out to be a big headache if unemployment becomes widespread, forcing people to "double up."

A further reason for steering clear of investment in residential rental units is the tax situation. Local taxes on real estate are heading higher. They will make sharp advances during the next few years and rent returns probably cannot be boosted sufficiently to fully offset this additional expenditure. Also, if war should come, rent controls would be invoked promptly; but there would be no ceiling on taxes!

### Shall I Build a House to Live in?

If you need a new house, and especially if you have children who require more space, then I would advise you to build, or to buy, now. Proper living accommodations are important to health and happiness. So if you need a house now, or a bigger or better home, I say build or buy it. To delay such a purchase when you really need it is to cheat yourself. There is a chance you may be able to build or buy for less money at some future time when unemployment may deflate today's high costs. When or if that time comes, however, you may be frightened to build or buy.

For those couples who cannot now see their way clear to buying and carrying a single house, I strongly recommend the purchase of a two-family or "duplex" house. The two-family house, if well located and bought under favorable circumstances — and if you live in one half yourself—is one of the best real estate investments you can make. You may think this conflicts with what I have written above about rental residential property. However, I make the two-family house an exception. If you own one of these **and live in it**, you have a good hedge against higher costs and taxes, for your tenant shares the burden with you. Furthermore, your presence will ensure his taking better care of the property than if you were an absentee landlord.

### Houses Versus Land

There are two other important points to remember:

(1) When you build a house in a good neighborhood, the **land** should **increase** in value from the day you move in; but depreciation on the house will begin directly after its construction is completed. Therefore, don't be skimpy about the lot. Get as much land as you can and economize on the house!

(2) Consider transportation. Although it is easy now to buy autos and gas, it may not always be so. Therefore, I advise building where you are within walking distance to a bus line or shopping center.

## Form Sec. Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

MT. VERNON, Ill.—Security Investment Company has been formed with offices at 1501½ Broadway to engage in a securities business. Bill Morlan and Earl M. Morlan are partners. Both were formerly with B. C. Morton & Co.

## Form Fla. Growth Secs.

(Special to THE FINANCIAL CHRONICLE)

JACKSONVILLE, Fla.—Florida Growth Securities Inc. has been formed with offices at 718 Pearl Street to engage in a securities business. Officers are J. G. Campbell, President; and Robert Lurie, Vice-President, Secretary and Treasurer.

## Marache, Dufflemyre Add 2

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Mary J. Handy and John E. Lalich have become connected with Marache, Dofflemyre & Co., 210 West Seventh Street, members of the Pacific Coast Stock Exchange. Both were formerly with J. Logan & Co.

## With Samuel B. Franklin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Lewis Akmakjian is now with Samuel B. Franklin & Company, 215 West Seventh Street. He was formerly with J. Logan & Co.

# Price and the Public Interest

By ROGER M. BLOUGH*

Chairman of the Board, United States Steel Corporation

**Direct rebuttal is made to recent Congressional committees' and staffs' conscious or unconscious attempt to place the blame for price inflation on American industry's pricing policies. The chairman of U. S. Steel declares our inflationary ills primarily result from heavy Federal spending, growing fiscal deficit and union-impelled wage boosts outpacing increases in productivivty. The steel executive terms it "Wonderland arithmetic" to contend that the steel industry could have absorbed wage increases, and points out that the effect of steel price increase is insignificant compared to increased wage costs and, therefore, cannot be the controlling or dominant factor in price of finished goods. Fearful that more than a lapse of memory or unwillingness to face the facts is involved, Mr. Blough warns that sufficient profits are necessary for a strong economy and strength in the cold war, and adds that government control would insure a Soviet victory.**

Like every other businessman in America — I am deeply disturbed by the steady post-war upsurge in the prices of both goods and services. I am even more disturbed by the persistent inflation that has caused those prices to rise. I am equally disturbed by the head-long increase in wage costs which has contributed so importantly to the inflationary spiral. I am further disturbed by the skyrocketing price of government and by the consequent Federal deficit which is a major source of this inflation. But most of all, I am disturbed by what appears to be a conscious or unconscious campaign of misinterpretation and even misrepresentation, the purpose of which is to place all blame for the inflation upon the pricing policies of American industry. In fact, disturbed is an inadequate word to describe my reaction to what frequently amounts to a campaign of calumny peddled from high places by those who pose as defenders of the public interest.

Roger M. Blough

Thus far, these mistaken champions of the public interest have concentrated their attack primarily upon three industries—steel, automobiles and oil; but, if pursued, the natural result of this campaign will be to inflame public opinion against business generally and eventually to lay the ground-work for someone seizing an ever-larger measure of control over its affairs.

So I would like to discuss this matter of **Price and the Public Interest**—to examine some of the aspects of this propaganda campaign as it has been applied to steel, and to discover, if we can, whose public interest our attackers are serving.

### Can Steel Be Blamed?

Now the theme song of the campaigners, of course, is that a rise in the price of steel is little less than a national calamity. It makes no difference how small the price increase may be, nor how inadequate it is in the face of the ballooning costs of both wages and materials. Any price increase of any size is immediately denounced as unjustified. The campaigners proclaim that it will touch off another disastrous round of inflation and that it will cause consumers to "sit on their hands" and thus plunge the nation back into the recession from which it is just now emerging. In short, they chorus that rising steel prices are the cause of inflation, recession, and all other economic ills.

And this—to put it as politely as I can—is a fairy tale. You might even say that it is a Grimm fairy tale. Let's look into it a bit.

### Answers Anti-Monopoly Subcommittee

Last year, in preparing to launch its attack upon the steel industry, the Anti-Monopoly Subcommittee of the United States Senate carefully picked a number of economists to come before it and show how the so-called "administered prices" of business had caused inflation. The experiment was not an unqualified success from the Committee's point of view.

Several of the economists pointed an accusing finger at "administered wages" and other rising costs; and one of the group—Prof. Richard Ruggles of Yale—presented an exhaustive study of the Government's Cost of Living Index which revealed this challenging fact: That since 1951, the price of products—or things—had risen only 2%, while the price of services — or non-things, such as transportation, medical care, laundry, haircuts, rent and so on—had risen 21%. In other words, the rise in the price of all the manufactured articles and other things that people bought had been negligible. And having presented this evidence, Dr. Ruggles concluded with these significant words—and I quote them exactly from the record. He said:

"It is not possible to maintain, in view of the statistical evidence, that administered prices have been primarily responsible for the inflationary spiral."

Now it may surprise you to learn that—through some mystifying oversight of its staff, no doubt—the majority report of the Committee fails even to mention Dr. Ruggles' testimony. Perhaps the Committee majority felt that the facts he presented were not in the public interest.

Also in the same Committee record are facts from a similar study which was published in The New York "Times" last year. They show that while the price of steel had increased 14% since 1951, the price of household appliances, such as washing machines and the like, had actually declined by 13% during the same period. And in this connection the "Times" made a statement that is at once so true and so astonishing, that again I want to quote it verbatim. Said the "Times":

"Though it may seem surprising, the price of steel could practically double and the cost of living would hardly show it!"

—And do you know that by the strangest of coincidences, that evidence is nowhere mentioned in the majority report of the Committee either?

But even more puzzling to me, is what I might call the strange case of the forgotten price reduction.

Some may recall that just 10 years ago this summer—in what was then hailed as an outstanding act of industrial statesmanship in a period of serious inflation—United States Steel refused a wage increase to its workers and reduced the price of steel by amounts ranging up to $5 a ton on those products which might be expected to produce the most immediate effect upon the consumer's pocketbook and the cost of living.

At that time the cost of living was rising at a frightening rate—fully four times as fast, in fact, as it has during the past year; and do you remember what happened to it after the price cut?

Well, it went up still faster. The march of inflation was not even fazed by the steel price reduction. It moved on, unabated; and within a few months, U. S. Steel had to raise wages, rescind the reduction and increase its prices in a belated effort to catch up with the tail end of the wage-cost procession that had already passed it by.

### Kefauver's Lapse of Memory

And then an interesting thing happened. No sooner had steel prices been raised than the cost of living began to drop. Month after month it went down until it reached the lowest level in 22 months! So here was a kind of laboratory test, if you will, which disproved completely the fairy tales that the campaigners keep telling. The whole story — fully documented — was presented in evidence to the Senate Committee, and the Senior Senator from Tennessee, as Chairman of the group, was present and heard the entire testimony regarding this price reduction.

Yet the "Congressional Record" shows that only six weeks ago—on July 30, to be exact—a member of the Committee rose on the floor of the Senate and said:

"I should like to ask one more question of the distinguished Senator from Tennessee. Does he remember any testimony that the steel companies have ever reduced their prices?"

To which Sen. Kefauver replied: "I do not remember any!"

Now I would not want to overemphasize this lapse of memory nor to examine too closely its relationship to the public interest. I would merely point out that certainly it served the interests of those who would confuse the American people into believing that there is an immediate and inseparable cause and effect connection between steel prices and the cost of living . . . that a steel price increase is the cause and a rise in the cost of living is invariably the effect.

No; the campaigners go merrily along, dinning their theme song into our tired ears. They tell us that the higher cost of steel will raise the price of everything from tractors to hairpins; that it will boost the price of everything from automobiles to safety pins; and they express concern about the price of appliances and bobby pins.

Now this universal preoccupation with the price of pins embraces an emotional appeal that is sure-fire stuff. You know the ancient tale. "For the want of a nail, the shoe was lost." And what could be lost for the want of a safety pin is almost too horrendous to contemplate.

But be of good cheer. The nation is not yet undone! I am happy to inform you that—according to the Government's Wholesale Price Index—the price of fasteners—including safety pins, hairpins, bobby pins and zippers—has declined more than 14% in the past 10 years!

So let's face up to the facts.

And the fact is that in making all of the millions of products that they turn out, American manufacturers use many thousands of kinds of different materials, one of which is steel. The fact also is that when the price of any of these materials goes up, the manufacturer's costs go up accordingly; and that somehow under our competitive system he must meet these higher costs or go broke. The fact is further that American manufacturers have done a magnificent job of offsetting much of this higher cost through research, improved technology and the investment of vast sums of money in new, more efficient tools of production. So instead of being pyramided and passed along to the consumer—as the campaigners tell us they are—these costs have been absorbed in large measure.

But the most important fact, of course, is that the intrinsic or basic cost of the materials that go into all of the products that are made in America is only a small percentage of the total cost of those products.

### Effect of Steel Price Increase

Commenting on the price of steel, the other day, an official of the Ford Motor Company was quoted as saying: "Labor costs mean more to the auto industry than material costs. About 80% of what you pay for a car goes for labor and only about 20% for materials—including steel."

And that of course is not only true of automobiles, it is true throughout industry generally.

If you took all of the products that are made in America, put them in one huge pile, and added up the price tags on the lot, upwards of three-quarters of this total value would represent the employment costs that were incurred all along the line of production. The remaining quarter or less would cover not only the basic cost of all the raw materials, but would also pay for the rental of property, the interest on debt, and the dividends that pay for use of all of the tools of production that were employed in the manufacture of those products.

So the truth of the matter is that the effect of a rise in the price of steel—or of any other material—is so insignificant in comparison to the overwhelming importance of a rise in wage costs, that it is not—and never can be—a controlling, or even a dominant factor in the price of finished articles.

And this, of course, is precisely the fact that certain members of the Senate Anti-Monopoly Subcommittee have been trying so successfully to ignore.

When the steel companies—after a costly five-week strike—reluctantly signed their present labor agreement with the union, two years ago, everyone knew that the annual boosts in employment costs provided in that contract could not possibly be absorbed through an improvement in what some people call productivity, and could therefore only be met by a rise in prices. There was no secret about that. You knew it; we knew it; the union knew it; the public knew it; and the Government knew it. But the very same Senators who are now crying havoc at the rise in steel prices were strangely silent then. Did any one of them ever raise his voice against these inflationary wage demands? Did any one of them even faintly suggest that such wage demands might not be entirely in the public interest?

No; there wasn't so much as a whisper from them.

Ever since last spring, the automobile companies have been fighting to hold the wage-price line, knowing what the effect of the union's wage demands would be on the price of the 1959 models. But they have been fighting alone

*Continued on page 30*

*An address by Mr. Blough before The Economic Club of Detroit, Detroit, Mich., Sept. 15, 1958.

# The Spirit That Has Made Us A Strong and Successful Nation

By ROGER M. KYES*
Vice-President, General Motors Corp.

**The spirit which has made the United States a strong and successful nation, why it exists, and the economic potential of the United States are principal points apprized by General Motors' executive. A reminder, however, is stressed by Mr. Kyes—i. e., ". . . economic development is not automatic . . . it is easy to dry up the springs of progress." Lists four essentials to insure the forward march of our economy.**

Karl Marx predicted that the western capitalistic society was doomed to failure—that we would have class warfare and revolution—that the rich would become richer and the poor become poorer.


Roger M. Kyes

No one could have been more wrong than Karl Marx.

We did not get into conflict with each other. We did not destroy our chances for a higher standard of living. Instead, we have been creative and cooperative. The constructive attitude of "give and take" has made America a great nation and Americans a prosperous people. Because we have all worked together, we have created wealth at a vastly greater rate than our population increase. Consequently, everybody is better off; in fact, rich in comparison to other peoples of the earth. And as we continue to engage in creating more and better things, the promise for the future is even better.

As individuals we will continue to share the benefits in proportion to our respective contributions.

### Why This Spirit Exists

This brings us to the question of why this spirit exists under the capitalistic system to a greater degree than in other economic systems.

In my opinion it is because the capitalistic system more nearly complies with religious principles than any other system does. While it is true that Christianity is broader in its approach to greater human welfare, capitalism falls within its framework because it conforms to the basic religious goal of a better life for mankind. It can also be said that since our system of dynamic enterprise produces greater economic progress than any other, it is, therefore, doing more to advance the cause of Christianity.

The principles of human dignity, which we inherit from our Christian past, has never been so well nurtured as under the capitalistic system which has as its four basic objectives:

(1) Economic security and freedom.

(2) A high standard of living for all.

(3) Production to meet the demands of the people.

(4) And, an equitable distribution of income.

So long as this system remains unhampered by the tampering of those who would destroy it, every man and woman in America is assured the opportunity to increase his usefulness and creativeness—the opportunity to develop his full potential within the scope of his environment and experience.

It is important to realize that with the advent of capitalism the average man became the boss of our economic society. He became the sovereign — the king of the market place.

It became his privilege and that of millions of his fellow consumers to pass out the rewards to those who served them efficiently and well.

In the final analysis, then, it is the consumer who, by accepting or rejecting a product, determines the employment, growth and earnings of an enterprise.

### Enterprise Explained

Enterprise itself, in terms of American history, has meant the effective and successful course of a human activity undertaken by a group of individuals who, with clear ambition in view, combined for the task, fitted themselves for action and achieved the desired goals.

Enterprise is a dynamic action—to participate in it one must be a doer; to enjoy it one must be a part of a constructive activity.

### Growing Potential of U. S. A.

The growing potential of the United States economy is almost beyond comprehension. The next 10 years may well increase our production of goods and services by as much as $200 billion. Dayton has a special interest in the fact that there will be a substantial increase—almost two-thirds I am told—in the number of households with incomes of more than $7,500.

In the decade ahead, the American home will be provided with things we do not now foresee—new concepts in refrigeration and appliances for food preparation, as well as automatic equipment for food handling, storage and replenishment. Developments in the field of electronics will revolutionize the function and control of all labor saving appliances.

Truly dramatic strides will be made in the field of air conditioning and dehumidification.

As we search the skies, we will behold many innovations beyond our present contemplation. As we stand on the threshold of the exciting rocket and space travel age, who knows what may lie beyond the barriers we are now penetrating?

With new scientific discoveries, new materials and improved technology, the character of the automobile will evolve to insure greater utility, satisfaction and convenience. Moreover, man's dependence on the automobile will intensify as our population continues its normal growth and spreads beyond the suburbs into distant rural areas.

As the use of electrical energy mushrooms to keep pace with our rising standard of living, we can anticipate an ever expanding need for more intricate and diversified types of electrical equipment.

As we look forward to the promise of the future, I would remind you that economic development is not automatic. History reveals that it is easy to dry up the springs of progress—in fact, all past civilizations have done so.

To insure the forward march of our dynamic enterprise system it is essential that we:

Develop and expand our economy to meet the demands of our people as consumers in the market place.

Intensify our efforts in the field of fundamental knowledge, thus breaking through the barriers of ignorance that impede us.

Devote our utmost energy to our tasks.

And, finally, cling with the zeal of crusaders to the religious and economic principles that have given us so much for so many years.

Up to now the spirit of American enterprise has yielded an abundant life. Let us not betray that spirit. With firm faith in ourselves and in the dynamic American enterprise system, we shall succeed beyond our fondest hopes.

*From a talk by Mr. Kyes at a "Salute to G. M." dinner before Dayton Area Chamber of Commerce, Dayton, Ohio, Sept. 4, 1958.



### Named Directors

Kermac Nuclear Fuels Corp., Grants, N. M., announced the election of two new members to the company's board of directors: Edwin L. Kennedy, partner in the investment banking firm of Lehman Brothers, New York, N. Y. and Bernard M. Silbert, President and general counsel of Pacific Uranium Mines Company, Los Angeles, Calif.

# Connecticut Brevities

The directors of **Terry Steam Turbine Company** of Hartford have voted to split the stock five for one. There will be 250,000 $5 par shares outstanding after the split which is subject to stockholders approval Oct. 15. The company manufactures steam turbines and high speed reduction gears.

* * *

A special meeting of stockholders of **Hartford Electric Light Company** will be held Oct. 6 to vote on a proposed increase of 149,633 common shares of $25 par value and to approve a new series of 100,000 shares $50 par preferred. In addition, the company plans to issue and sell $18,000,000 of senior debt securities. Stockholder approval for this issue has already been granted. The common offering would be made first to common stockholders in a ratio of one share for each 10 held. Company officials indicate that after the financing the capital structure will be approximately 50% long-term debt, 10% preferred and 40% common stock and surplus.

* * *

A compact new machine which combines the office operations of folding and envelope-stuffing of letters, statements and other mailings, was marketed recently by **Pitney-Bowes, Inc.** of Stamford. The new device occupies less than two by four feet of floor space and can be easily operated by any office worker. The machine will automatically fold and stuff about 200 letter-size sheets in three minutes. Electrically driven, it feeds, folds and inserts statements, bulletins, releases, advertising material and other forms into envelopes at speeds up to 4,000 an hour.

* * *

**Boesch Manufacturing Company** has disclosed plans to develop a 47 acre industrial park in Danbury. The firm, which manufactures winding machinery and other intricate machinery for the electronics industry, plans to divide the site into eight parcels. The company will occupy one; a second parcel will be developed with a pond and picnic area; and the remaining six will be sold to interested businesses.

* * *

The **Society of Savings** of Hartford has received approval from the State Banking Department to establish a branch bank in Enfield. It is expected the new branch will open for business on or about May 1, 1959. Society for Savings now has branches in Hartford, East Hartford and West Hartford, in addition to its main office in Hartford.

* * *

Total employment at **Kaman Aircraft Corporation** has risen 41% during the past year. The Bloomfield helicopter company now employs 1,784 compared to 1,263 employed in September 1957.

* * *

The **Hubbard - Hall Chemical Company** has purchased the majority interest in the firm of Chem-Sales, Inc. of Atlanta, Ga., formerly Metalsalts Chemicals, Inc., manufacturers of metal chlorides and copper cyanide. The purchase price was not disclosed. The Hubbard-Hall Chemical Company, which was founded in Waterbury in 1849 as a drug store known as the Apothecaries Hall Co., received its new name in 1957 when three New England fertilizer manufacturers and agricultural chemical distributors were merged.

* * *

The **Olin Mathieson Chemical Corp.** has started production of its new nuclear fuels plant in Montville. Nuclear reacter cores are now being assembled at the $500,000 facility staffed by 50 engineers. Construction of the plant, located on a 235-acre site, was started in October 1957.

* * *

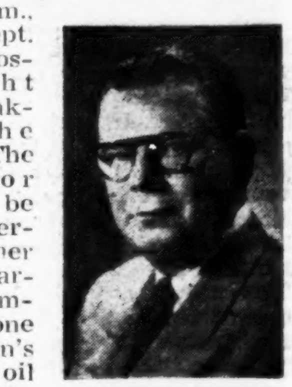
The **Stanley Works** of New Britain has added a line of garden and lawn tools to its manufacturing operations. The line, being produced by the Stanley Tools Division, includes pruning tools, grass shears and lawn rakes, grass whips and other garden items.

* * *

General Transistor Corp. and **Barnes Engineering Company** of Stamford are discussing a possible combination of the companies on the basis of one share of General Transistor stock for three and three-quarter shares of Barnes. Barnes Engineering manufactures infra-red systems, components and instruments for military and industrial uses.

# Boston Inv. Club to Hear Winfield Perdun

BOSTON, Mass. — The Boston Investment Club will hold its first dinner meeting of the season at 5:15 p. m., Tuesday, Sept. 23, at the Boston Yacht Club. Speaking on the topic "The Outlook for Oils" will be Winfield Perdun, a partner of Smith, Barney & Company, and one of the nation's leading oil analysts. Mr. Perdun, with over twenty years' experience in the investment business, has been associated with Smith, Barney since 1950.


Winfield H. Perdun

# Hornblower & Weeks To Admit Anderson

Hornblower & Weeks, 40 Wall Street, New York City, members of the New York and Boston Stock Exchanges, on Oct. 1 will admit Edmund T. Anderson, member of the New York Exchange to partnership.

On the same date Charles T. Lovering, general partner, will become a limited partner, and William R. Robensky, a general partner, will also become a limited partner.

# The Mortgage Outlook

By WALTER C. NELSON*
Vice-President, Mortgage Bankers Association of America
President, Eberhardt Company, Minn.

**Serious situation confronting private mortgage credit industry despite improving business prospects, particularly in the strength of the housing demand, is cogently depicted by Mr. Nelson. Mortgage bankers are apprised of the disturbing results of the recently ended session of Congress and of the need to repair the cleavage in the mortgage lending field. The Minneapolis mortgage banker castigates the "fixed-rate incubus" imposed by Congress and counsels against future support of omnibus housing bills. Also, urges extension of FHA's Certified Agency Plan and passage of bill allowing real estate investment trusts the same tax advantages as enjoyed by security investment trusts. He foresees 1,050,000 new houses and apartments easily started this year and postulates annual demand of about 1,200,00.**

After the end of a Congressional session in which housing and mortgage credit received more than their usual full share of attention, I cannot say I am happy about the experience we've been through. It is quite clear, however, that the legislative results might have been a lot worse.

Walter C. Nelson

On the face of it, we didn't come out so badly; and, by "we" I mean all those who are convinced that the maintenance of a sound private home mortgage credit system is among the stoutest bulwarks of individual liberty.

For the first time in a decade Congress went home without passing a "comprehensive" housing bill. What happened was that this time the omnibus got so overloaded that it just broke down. As a result, the year's legislative effort is confined to the so-called Emergency Housing Act that was rushed through Congress last March and signed by the President on April 1, plus the $4.5 billion extension of the FHA insurance authorization, which—very significantly for the final result—was passed in June as a separate measure.

When one considers what might have been in terms of the massively extravagant bill passed by the Senate in early July and the even more prodigal affair that was reported favorably by the House Banking and Currency Committee about three weeks later, it is impossible not to agree that the outcome might have been a lot worse. Nevertheless, this does not make me altogether happy. I shall give you my reasons.

### Cites Unpleasant Legislative Results

First, the very thought of the "might have been" is enough to make one wince. The fact that it didn't happen is no cause for complacency. The realization that it was seriously considered, that it obviously represents the views of an influential group of members, on both sides of the aisle in both Houses, and that the composition of the next Congress will include additions to their ranks, is what we have to keep in mind. The struggle between limited and total government, in which our business seems to be a principal battleground, will be renewed next year; and the scales will be tipped more decidedly on the side of those who favor a governmentally dominated credit system. This is certainly cause enough for a somber view of the prospect.

*An address by Mr. Nelson before the Savings Banks Association of Massachusetts, Poland Springs, Maine, Sept. 12, 1958.

The second reason that I am not pleased with this year's legislative results is that, mild as they are by comparison with what might have been, they do very little to strengthen a private home mortgage credit system. The most favorable action was the elimination of discount controls in the transactions between lenders and builders. This feature of the Emergency Housing Act was important—no question about it—though it still maintained the fiction that discounts are not passed on to the borrower even when they prevail over a long period. Builders and homebuyers may derive some benefit, too, from decreasing the down-payments on FHA mortgages, as also was accomplished in the Emergency Housing Act.

Along side these rather limited advantages, we have to recognize that, taking it all in all, the year's legislation has dealt some serious blows to private credit and has refrained from providing some badly needed relief. Probably the most adverse action was that taken in the Emergency Housing Act under which FNMA was directed to buy, and to make commitments to buy, up to $1 billion of FHA and VA mortgages at par, with no stock purchase requirement imposed on the sellers. This is an out-and-out attempt to control interest rates by the devious method of a price support operation. The expansion of the VA direct lending program is another measure of the same sort. The continuance of direct loans for college housing at a subsidized interest rate is still another. Each year sees these encroachments carried further; and, under the guise of combatting a business recession, a more significant step was taken this year than usual. Never before have we had "special assistance" on such a grand scale. Never before has so serious and present a threat been offered to the private credit system.

### Berates the Fixed-Rate Incubus

The outstanding omission in the year's legislation—as we expected it to be—is the continued refusal on the part of both administration and Congress to face up to the interest rate issue. The ¼% lift in the fixed rate on VA guaranteed loans was no more than a teaser to both borrowers and lenders. It still left prices on guaranteed loans four to five point below par at the most favorable point in the recent money market and it still kept many able borrowers from access to guaranteed mortgage funds. Why it is that the fixed-rate incubus is visited on mortgages and no place else in the investment world is impossible to rationalize. The fixed rate does no one any good—when it is below the market rate of interest; and when it is above it is meaningless. The narrowly fixed rate does not protect the borrower; it simply keeps him from exercising his own judgment. It restricts his access to funds and inevitably raises the cost of his house. It increases the builder's risk and narrows his market. It creates a major source of instability in the economy.

Yet the political devotion to this dangerous idol persists. It persists solely on the theory that, since the government stands back of the mortgages the government should be able to determine the interest rate on the mortgages. Yet the government stands even more directly back of its own bonds, without trying to control their rate of interest. In this case it has learned the folly of the attempt and has had to recognize the ultimate rule of the market. The lessons of this experience unfortunately have not been interpreted in terms of the market for insured and guaranteed mortgages to which they equally apply. Here the belief remains that an interest rate can be what some agency says it ought to be and that, even though the result is to thwart the purposes for which the related legislation has been enacted, some great principle has been vindicated.

So long as the supply of mortgage money is restricted by a fixed interest rate, it may be pointed out, little is to be gained from reducing downpayment requirements and lengthening maturities. With the VA rate much below a workable level in most parts of the country, and the FHA rate teetering on the verge of acceptability, a liberalization in mortgage terms may increase the demand for funds but it cannot help the supply. It can only make a tight supply tighter and, as has happened this year, lead to overwhelming pressures for direct government support of an irrational situation.

### Other Disappointments

I am also regretful at the failure of Congress—after coming to the very brink of enactment—to pass a carefully studied proposal to permit real estate investment trusts to pass their income on untaxed to their shareholders in exactly the same way as is permitted to security investment trusts. Here was a fine opportunity to provide a vehicle for meeting the crying need for equity investment in income-producing real estate, for enhancing the security of real estate mortgages, and for relieving some of the pressure for superhigh loan-to-value ratios for insured mortgages on apartment property and unnecessarily liberal grants for urban renewal. It may not be easy to revive this measure after so long and so disappointing a battle. Yet there is nothing else on the legislative horizon that would do so much for sound, free, private investment in this field.

Finally, I am unhappy over the cleavage which this year's legislative activity brought to the mortgage lending industry. At a time when we should be ardently seeking every possible means to reconcile the interest of all types of mortgage institutions and to create a unified front against the encroachments that threaten all of them, we found ourselves in an unfortunate difference with one of the great institutional groups. The cause was the proposal to create a new plan for making high percentage home loans free from the hampering restrictions that have made the FHA and VA systems a menace to economic stability.

The Mortgage Bankers Association was sympathetic with the objectives of this proposal. It was, however, not conviced that the objectives could not be better obtained by essential reforms and improvements of the FHA system; and it was skeptical of the wisdom of creating a new system that was not open on fully equal terms to all members of the mortgage lending fraternity. It was fearful of the opposition which a "go-it-alone" policy would produce and hopeful that, given good will and more time, the divergency in views among the institutional groups could be satisfactorily resolved.

Our friends—and I hope we may still call them our friends—were restive at the prospect of the loss of a legislative year which would have resulted from further negotiation. They were apparently discouraged over the prospect of conciliation even with further negotiation. In any event, they decided upon a solitary effort. The result is now with us. They lost, and the rest lost too, for dissention in the ranks of private mortgage lending is a debilitating thing—and debilitation is something it can well do without in the face of the many problems that now confront it.

This is where we stand at the end of a disturbing and exhausting legislative session. I am sorry that my report is not more cheerful. I don't like to get into a position where I seem to be grousing, because it isn't my nature to grouse. Nevertheless, I cannot see the situation now confronting private mortgage credit as anything but serious and I cannot find an advantage in giving the facts anything but their own grave aspect.

Facing the facts, however, is not enough. It is one thing to recognize trouble, but quite another to let trouble get you down. I like to quote a line from St. Paul: "We are troubled on every side, yet not distressed; we are perplexed, but not in despair." I am not distressed at our predicament and I am definitely not in despair. I recognize that an uphill fight is ahead and that it is not to be won in a year. But I can't see that that is any reason for not making a start.

### FHA's Certified Agency Plan

Let me tell you how I think we might begin. First, we should push for a rapid extension of FHA's Certified Agency Plan—the plan under which, as I am sure you know, the originator of the mortgage, using independent appraisers and inspectors, assumes the full responsibility for processing mortgage applications. In this we have a sympathetic attitude on the part of the FHA Commissioner, who can be counted upon to move as widely and quickly as we can demonstrate the feasibility of doing so. This plan which is now in effect in all or part of the territories of 21 insuring offices offers a means of broadening the effectiveness of the FHA operation by simplifying procedures, shortening processing time, and reducing cost both to FHA and the industry. It was instituted on the proposition that mortgage lenders had become mature enough to assume responsibility for their acts. Its success will depend wholly upon how sound that proposition proves to be. We must see that it does prove to be sound. We cannot afford to let it be otherwise.

Second, we have to keep before us always the objective of a free interest rate. Sooner or later, the rule of the market must be recognized in respect to interest rates on insured mortgages as it is in respect to rates on government obligations and all other types of securities. Even public housing bonds, which are backed by a subsidy as well as a full guaranty of principal and interest are subjected to the verdict of the market so far as their interest rates and prices are concerned. The utter illogic of the situation in the financing of private housing can-

*Continued on page 29*

# THE MARKET . . . AND YOU

By WALLACE STREETE

With utilities, rails and even the long-dormant oils helping along, industrial stocks finally ended all the suspense this week by pushing vigorously to the highest reading ever.

What profit-taking showed up after this feat was readily absorbed and there was no dearth of new favorites available to take over leadership when the old leaders tired. Few market students were willing to buck the convincing show with any outright bearishness and few were willing to be dogmatic about the eventual target on the upside now that the industrial average has broken out into uncharted territory.

### Support From the Shorts

A fair share of the persistent strength was laid to short-covering by those who had been skeptical—and wrong — all along and had boosted some of the short positions to levels that came close to being excessive. But that was only part of the answer since strength was apparent in areas where short selling hadn't been prominent.

Repeated warnings that stock yields were approaching 3½%, against a return of 4% or better in the highest grade bonds, fell on deaf ears although such a disparity in the two traditionally is a sign that stock market prices are approaching a peak.

* * *

The edge in return offered by bonds was dismissed as being only an indication of the uncertainties still circling over future actions of the monetary authorities.

Investment funds continued to show up in addition to the free cash — last reported at around a billion dollars — in the coffers of brokerage houses awaiting a favorable buying spot. It all seemed to add up to limitless investment funds pressing for good grade equities regardless of yields and unusually high price-earnings ratios on anticipated results for this year.

If there were seeds of disaster being sown in such a performance, this, too, wasn't immediately apparent since technical studies showed no crisis signs.

### An Anticipating Market

It was, however, a pretty clearcut case of anticipating good things in the future. Even the more optimistic of the economists aren't predicting that the production index will return to peak levels much before next spring. But this didn't deter the followers of the steel stocks from bidding them up to historic peaks, at a time when operations are running at two-thirds of capacity, representing market levels they didn't even reach a year or two ago when mills were humming above theoretical capacity.

Popular more times than not, and with the solid backing of improving earnings, were the drug shares. Their earnings improvement is continuing right through the recession, Merck more than doubling its per-share earnings last year over 1954 and anticipating a further improvement this year that would make it a candidate for improvement of a dividend rate of $1.40 which will probably be covered with a dollar or more to spare this year. Others with sales tripled and quadrupled in the last decade can show similar favorable trends.

### Rails Favored

Rails were rather prominent in the market letters of the Street. For one, they are about as much of a depressed group as any around except for the textiles that are still wallowing in their own private depression. While the industrial average was carving out its all-time peak, the rail average was nudging to a new 1958 peak but at a level about a third under its 1956 peak.

Rails suffered drastically when traffic dried up sharply before costs could be trimmed to match. Now that costs are sharply lower, the reasoning grows, a sudden increase in traffic could show dramatic earnings rebounds. Some have maintained earnings at a comfortable level through the recession and Northern Pacific, helped along by its outside interests in oil and timber, is expected to show earnings this year comparable with those of last year which makes its twice-covered dividend automatically a candidate for improvement.

Even where the common stocks of the rails weren't overly favored, a return approaching 7% in the preferred of Baltimore & Ohio was considered attractive by some of the market students since it is non-callable, although on the other hand it is non-cumulative as well. But B & O's revenues have held up fairly well and dipped into the red in only one month in the first half of the year.

Of a similar high yield attractiveness are the two preferreds of Colorado & Southern Railway which sell between 50 and 60 despite a $4 dividend and are redeemable at $100. The market in these is thin and hence volatile.

### International Oils Behind The Market?

International oils, with the cloud thrown over them by unrest in the Middle East, are among the groups considered "behind-the-market," particularly since such an item as Gulf Oil with its above-par price has held in a range of less than a score of points all year which would make it something of a neglected item.

* * *

Yet if there was any concrete lesson learned in previous tangles with the oil companies in the Middle East, as in Iran some half a dozen years ago, it is that unless the international oil companies can continue to refine and transport oil the economy of the countries concerned can suffer even more. So there has been little disturbance in such operations in the more recent upheavals. Yet it has cast a pall over the shares in the stock market. Gulf lately has been only slightly above its two-year low while on the basis of its anticipated results for this year and improvement next year, and with the higher multiples being assigned by an optimistic market, an improvement running to as much as half a hundred points can be envisioned by some of its followers. Particularly so, if investment favor, long lacking, should concentrate on the petroleum division at some stage in the future.

### Removal of Liquor Tax Difficulty

Schenley Industries, in the liquor section, apart from momentary elation over the extension of the tax-free holding period for bonded whisky from eight to 20 years, has had little in the way of sustained following even though the tax change could drastically affect the fortunes of the company. Schenley had a hard time from 1950 on when it gambled wrongly on the same type of shortage that had existed through War II. With the old eight-year period about to come due, and unofficial estimates crediting Schenley with half of the U. S. supply on which the period was about up, a ruinous situation was set up which the tax revision eliminated. It ends the costly battle Schenley put up for the revision and paves the way for the company not only to concentrate on improving operating results but also, in time, to improve the dividend payout which was held to a conservative level while the tax uncertainties were still alive.

*[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]*

# General Outlook for Chemical Industry This Year and Next

**Reversal of chemical sales' downturn in second half of 1958 compared to first six months and further sales-jump in 1959 are predictions made by Mr. Crass and Miss Campbell of Manufacturing Chemists' Association based upon response of an "overwhelming majority" of top chemical industry executives in a recent survey. Profits, however, are not expected to improve as rapidly though majority of those polled are said to anticipate no significant change in dividend payments or capital outlays. Authors strongly advise against any trade that would bring about a modern U. S. S. R. chemical industry.**

Chemical industry sales in the last half of 1958 will be 5% higher than during the first six months, and 1959 sales will jump another

M. F. Crass, Jr.

Marjorie V. Campbell

5%, predicts a survey in the current issue of "Chemical and Engineering News".

This is the opinion of "an overwhelming majority" of top chemical industry executives, according to the magazine's annual general outlook report on "Facts and Figures for the Chemical Process Industries" authorized by Maurice F. Crass, Jr., Secretary-Treasurer, and Marjorie V. Campbell, Assistant to the Secretary, Manufacturing Chemists' Association, Washington, D. C.

"It appears that the bottom of the 1957-58 recession has been passed and that an upturn should be obvious during the final months of this year," observes the authors in discussing the general outlook for the industry.

Mr. Crass and Miss Campbell point out that "this gradually expanding sales pattern will be accompanied by a somewhat slower improvement in profits. While about half the respondents visualize some improvement for the last six months of 1958, an equal number believe that there will be no significant change in profit margins until 1959, when a definite improvement can be expected. With reference to dividend payments, a majority state frankly that they expect no significant change either during the remainder of 1958 or next year. It is interesting to note, however, that chemical firms as a whole paid 2.5% more in dividends during the first six months of 1958 than during the comparable 1957 period. This compares with a decline of 1% for all manufacturing.

"Costs, primarily labor, materials, and transportation, are expected to continue their gradual rise through the balance of this year and into 1959. This will be in the face of an expected and much needed improvement in productivity per man hour, as plants go back on heavier schedules. Present adequacy of production facilities in most product lines and temporary overcapacity in some indicate little or no immediate change, however, in chemical prices. Tax relief is not anticipated.

"International trade looms as an increasingly important factor in forward business, with a slackening off in export trade and an increasing volume of imports threatened. Here, the European Common Market and the threat of Russian entrance into the chemical trade of the Free World are pinpointed, plus the passage by Congress of the recently extended and liberalized Trade Agreements Act. A liberalization of trade restrictions on the part of certain European countries may offset effects of the latter to some extent.

"While admitting that overcapacities in some lines have caused, and will cause, serious problems which may extend into 1959 in certain cases, approximately 80% of Manufacturing Chemists' Association's contacts say that their planned capital expenditures are going ahead on schedule. However, there is some evidence that portions of planned expenditures are being held up temporarily, until the picture of the immediate future becomes clearer. There is no pessimism as to the 1960's. Disappointing sales during the first half of 1958 have not curtailed planned research expenditures for the balance of the year. Such spending for 1959 will be even greater, with more than half the respondents indicating increased research commitments.

### Still a Growth Industry

"Only twice during the past decade, in 1949 and 1952, have sales of chemicals and allied products failed to exceed the previous year's record. With reported sales for the first six months of 1958 at a level 4.4% below the first half of 1957, a 5.8% gain for the last half would be necessary to equal last year's over-all volume. On the basis of industry estimates already cited, an increase of this nature does appear to be within the realm of possibility. For the long pull, the chemical industry will retain its status as a growth industry, although industrial statesmanship of the highest order will be required to counter such impediments as increasing competitive pressures, both domestic and foreign, constantly rising labor costs, and further government infringement on private industry.

### Sales and Inventories

"Sales of chemicals and allied products reached an all-time high during 1957, totaling $23.4 billion, according to revised U. S. Department of Commerce figures. While this dollar volume represented a 2.8% gain over 1956, it fell somewhat short of meeting the sales increases of the two prior years. Although mounting costs brought considerably lower profit margins to many companies, the continued growth in sales made it possible for over-all earnings of the chemical industry to compare favorably with earnings of other industries in 1957.

"Chemical manufacturing, which supplies all branches of American industry, felt the deceleration to a greater degree during early 1958, as a corollary to the situation of American industry generally. But chemical companies as a whole found that their business volume held up better than that of the over-all economy.

"The Federal Reserve Board's index of chemical production activity averaged 184 (1947-49=100) for 1957, a 3.9% gain over 1956. The production index for industrial organic chemicals averaged 204 in 1957, 3.5% above 1956; basic inorganic chemicals averaged 202, 6.8% over 1956.

"The downward trend in general business activity during the early part of 1958 was reflected in

*Continued on page 28*

# British Banks' New Role in Instalment Credit Financing

By PAUL EINZIG

**The entry of British banks into instalment credit financing through, heretofore, independent, finance houses should tend to make official monetary policy effective. In explaining this, Dr. Einzig also makes clear that finance houses will no longer be able to make abnormal charges, and that they should be able to raise money by means of capital issue. Notes that this new policy will reduce the large number of small finance houses. Wonders whether interest charges on instalment credit will be accorded the same tax deductible privilege as interest paid on bank loans.**

*LONDON, Eng.*—For something like four years the leading British banks were unable to make up their minds about their attitude towards instalment credit financing. Ever since 1954 they had been taking a keen interest in the American system under which a large proportion of such financing is done by the commercial banks. After much hesitation all British commercial banks decided to adopt an intermediate solution. Although most of them continue to abstain from engaging directly in instalment credit financing on their own account, they acquired substantial portions in the share capital of finance houses specializing in such operations.

Dr. Paul Einzig

The Commercial Bank of Scotland was first in the field but it took four years before other commercial banks made up their minds to follow its example. Within a week at the end of July four out of the seven largest banks acquired an interest in higher purchase finance and the remaining three followed their example. With one exception the control acquired over the higher hire-purchase finance houses is far from complete. It is sufficient in each case, however, to establish close relationship as a result of which the banks concerned will indirectly engage in the financing of instalment credits. The biggest British bank, the Midland Bank, went further. It adopted a system of "personal credits" under which consumers' durable goods are financed with bank credit repayable in instalments.

Anybody who knows how conservative British banks are must realize that this change of attitude has been revolutionary. For some obscure reasons until recently the banks considered it beneath their dignity to have anything to do with instalment credits. The giants of High Finance kept aloof from such "low" finance. The result of their aloofness was unfavorable both from the point of view of the public interest and of that of private interest.

A large number of independent finance houses had established themselves in recent years. Although most of them are small the sum total of their activities is considerable. From the point of view of the efficiency of official monetary policy their existence is a great disadvantage because to a very large extent they escape the control of official monetary policy. The credit squeeze imposed on the banks in 1957 did not affect them. They were able to attract large and increasing amounts of private deposits by offering deposit rates considerably in excess of those paid by banks. As a result, many people transferred their deposits from the banks to these finance houses.

If this had meant that the deposits of banks became reduced to a corresponding extent it would not have affected the effectiveness of monetary policy. All that would have happened would have been that the banks would have had to reduce their loans to the same extent as the hire-purchase finance houses increased theirs. In reality, under the British banking system, it has become possible to eat one's cake and keep it. If a depositor transfers his balance from a bank to a finance house it does not mean that the banking system as a whole will hold less deposits as a result of the transaction. Each finance house has an account with at least one of the clearing banks, and the check received from a new depositor is paid into that account.

This means that, even though the amount may become transferred from one bank to another, the banks as a whole retain possession of the deposit, although it now represents a balance on account of the finance house. There is no need for banks to reduce their lendings since they possess the same amount of deposits as before. On the other hand, the finance house can increase its lending because it possesses an increased amount of deposits. All that happens as a result of the change is that a formerly idle deposit becomes converted into an active deposit. The velocity of circulation of bank deposits increases, which produces the same effect as an increase in the volume of bank deposits. This explains in part why it has been possible in Britain to finance wage increases in spite of the abscence of an expansion in the volume of credit The volume remained unchanged but the rate of its turnover increased.

### Improves Banking Control

From this point of view, control of banks over some of the leading hire-purchase finance houses will be beneficial, because it will tend to make the official monetary policy more effective. These leading finance houses will be no longer in a position to disregard the instructions given by the Bank of England on behalf of the Treasury. If the official policy aims at restricting the volume of credit these firms will no longer be able to circumvent it by offering unduly high deposit rates. For the commercial banks that control them have to comply with official policy.

It is true the overwhelming majority of smaller finance houses will remain independent. They are not sufficiently known, however, to enable them to attract very large deposits from the public. Most depositors would consider it too risky to entrust their money to some little-known finance house.

In a recent statement the Chancellor of the Exchequer stated that in the future the volume of credit would be controlled not through imposing a limit on their total but through compelling banks to deposit a proportion of their resources with the Bank of England. When that device is applied the banks will have to curtail their facilities to the instalment finance houses under their control, so that the authorities will be able to exercise a high degree of control over the financing of instalment credits.

The change in the attitude of banks is bound to be beneficial also from the point of view of consumers buying goods under the instalment system. At present they are charged usurious interest rates amounting to something like between 20 and 25%. It is true, a proportion of this charge is explained on the ground of the high cost of collecting instalment payments. Even allowing for this the charges are abnormally high. They add considerably to the cost of goods bought against deferred payment.

Banks are not likely to allow the finance houses under their control to maintain such abnormal charges. For one thing the finance houses will receive loans from the banks at rates below those they pay at present to depositors. They will be able to reduce their charges to borrowers and thereby to attract a larger proportion of sound business. The higher turnover again will enable them to make further reductions in their charges. Confronted with such competition the smaller finance houses may feel compelled to amalgamate into larger firms and to seek to establish contact with some bank.

Apart from any additional resources obtained in the form of bank advances, the finance houses which have come under the protection of a leading bank will be able to raise money by means of capital issue. This has already been done by one of the finance houses concerned, and it seems that the Treasury has no objection to the public issue of shares for that purpose.

Indeed the authorities have every reason to welcome the new development which is likely to go a long way towards tidying up the untidy situation which has developed in recent years. The British idea of a sound banking system is to have a small number of large banks. The creation of many small finance houses was contrary to this tradition. It entailed the risk of failures—something unheard of in British banking history over many years.

### Tax Deductions Inconsistency

Possibly as a result of the change, the Government will also change its attitude towards taxing interest on instalment credits. While interest paid on bank loans is deducted from taxable incomes, instalment credit charges are not deducted. This means that the burden of these charges is even heavier than would appear from the high percentage they represent. The unfairness of this distinction has often been pointed out but it has been disregarded even by the Labor Government, in spite of the fact that the burden falls on people with modest means.

One of the consequences of the possibility to regulate the volume of instalment credit with the aid of the normal devices of monetary policy will be that it will be no longer really necessary to regulate it by imposing a minimum deposit or maximum period of repayment. The change cannot be effected overnight, because a large proportion of instalment business will continue to remain outside the control of the banks and of the authorities. Since, however, interference with the terms of instalment credits by means of official regulation constitutes a device of physical control, it is in accordance with the policy of the Conservative Government to renounce the use of that device as soon as it becomes practicable without materially weakening of the effectiveness of monetary policy.

# NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Charles M. Schwab has been appointed a member of the **Chase Manhattan Bank's** Thirty-Fourth Street Branch Advisory Committee, it has been announced by George Champion, President of the bank.

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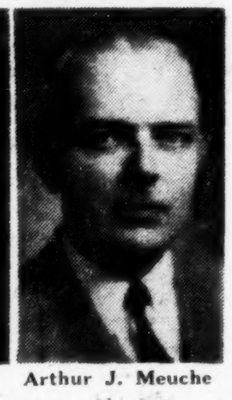
Joseph T. Hewitt and Arthur J. Meuche have been elected Vice-Presidents of **Chemical Corn Exchange Bank, New York,** it was announced on Sept. 15, by Harold H. Helm, Chairman.

Joseph T. Hewitt



Arthur J. Meuche

Mr. Hewitt joined the bank in 1929 and rose through the ranks to become an Assistant Vice-President in 1951. He is a member of the bank's Metropolitan Division, headquartered at 34th Street & 5th Avenue.

Mr. Meuche, who has specialized in the pension trust field, joined Chemical as a pension trust officer in 1950. He is the author of "Successful Pension Planning" and many articles on retirement and profit-sharing programs. Mr. Meuche continues with the bank's Fiduciary Division, located at 30 Broad Street.

Dr. Judson L. Anderson has also joined the Oil and Gas Department of **Chemical Corn Exchange Bank,** it was announced Sept. 12 by Mr. H. Helm.

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George O. Nodyne, President of the **East River Savings Bank, New York,** announces the bank reached the half billion dollar mark in deposits on Sept. 11.

The bank currently celebrating its 110th anniversary has five offices in New York City and is also announcing the opening of an office at 110 William Street on or about Dec. 1 to replace the outgrown 55 John Street office opened December, 1953.

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Robert M. Catharine, Chairman of the Board of **Dollar Savings Bank of the City of New York,** announced the elections of Thomas W. Christy, Lloyd F. Dempsey and Edwin J. Hoskins as Senior Vice-Presidents, all of whom were formerly Vice-Presidents.

Robert Weiss and Miss Alice I. Damseaux were named Vice-Presidents in addition to their titles of Treasurer and Secretary, respectively. Edward A. Reisner, formerly Assistant Vice-President, was also elected a Vice-President.

Ian D. Smith, heretofore, an Assistant Comptroller, was named Comptroller.

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**Commercial State Bank & Trust Company of New York** received approval to increase the capital stock from $2,276,725 consisting of 91,069 shares of the par value of $25 each, to $2,352,815 consisting of 470,563 shares of the par value of $5.00 each.

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Otto Salvesen of **The County Trust Company, White Plains, N. Y.,** has been promoted to Vice-President and Auditor from Assistant Vice-President and Auditor. He has been with the bank since 1928 and was named Auditor in 1932.

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Thomas P. Eddy and James C. Karras have been appointed Assistant Cashier in the Banking Department of **Mellon National Bank and Trust Company, Pittsburgh, Pa.,** Frank R. Denton, Vice-Chairman of the bank, announced.

Mr. Eddy came to Mellon Bank in 1950. He worked in various divisions throughout the bank and in 1957 was assigned to the Banking Department.

Mr. Karras came to Mellon Bank in 1956. In 1957, he was assigned to the Banking Department as a new business analyst. Mr. Karras was associated with **The National City Bank of New York** before coming to Mellon Bank.

Ralph B. Gilpatrick, Jr., Robert W. Haley and George A. Shaw have been appointed Assistant Vice-Presidents in the Banking Department.

Mr. Gilpatrick came to Mellon Bank in 1953 as a financial analyst in the Credit Division. In April, 1954, he was appointed Assistant Cashier in the Banking Department.

Mr. Haley started his banking career at Mellon Bank in 1930. He worked in various divisions of the bank and in November, 1949, was appointed Assistant Cashier in the Banking Department.

Mr. Shaw came to Mellon Bank in 1952. At that time he was assigned to the Industry Division. In August, 1953, he was appointed an Assistant Cashier in the Banking Department.

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**The Loveland National Bank, Loveland, Ohio,** with common capital stock of $75,000 went into voluntary liquidation effective as of the close of business Aug. 30. Liquidating agent or committee: **The First National Bank of Cincinnati, Ohio.**

Absorbed by: **The Milford National Bank, Milford, Ohio.**

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The election of Edward G. Lucius, as Assistant Trust Officer of the **Southmoor Bank & Trust Company, Chicago, Ill.,** has been announced by Louis E. Corrington, Jr., President. His appointment will take effect immediately.

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By a stock dividend, the common capital stock of **First National Bank of Joliet, Ill.,** was increased from $750,000 to $1,000,000, effective Sept. 4 (number of shares outstanding — 100,000 shares, par value $10).

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Permission was granted by the Comptroller of the Currency to **First National Bank of Morton, Morton, Ill.,** to open a new bank. the bank has a capital of $200,000 and a surplus of $505,854.77. Ft. W. Reuling is President and Chris T. Getz is Cashier. Conversion of **The Morton State Bank, Morton, Ill.,** to take effect as of the close of business on Aug. 30.

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**National Bank of Detroit, Mich.,** elected Ray R. Eppert a Director.

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**Citizen Union National Bank & Trust Company, Lexington, Ky.,** was granted permission to open a new bank by the Comptroller of the Currency. The bank has a capital of $1,000,000 and a surplus of $1,294,133.96. Ernst S. Clarke is President and J. W. Bratcher is Cashier. Conversion of **Citizens Union Bank & Trust Company, Lexington, Ky;** to take

effect as of the close of business on Aug. 30.

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William W. Hibberd, formerly Assistant Vice-President, has been promoted to Vice-President of the **Trust Company of Georgia, Atlanta, Ga.** Mr. Hibberd is the representative of the bank's Bond Department at 15 Broad Street in New York City. The announcement of his promotion was made after a meeting of the Board of Directors by C. E. Thwaite, Jr., President, who explained that the move was in recognition of the increased importance and activity of the New York office.

Mr. Hibberd had many years of experience in bond houses in New York before joining the Trust Company of Georgia a year ago. He had also been in the Bond Department of the **Mercantile Trust Company of St. Louis, Mo.** He was formerly Assistant Vice-President of the **Marine Trust Company of Western New York.**

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**First National Bank of Stuart,** Stuart, Fla., was granted permission by the Comptroller of the Currency to open a new bank. D. S. Hudson is President and Carrie Belle Law is Cashier; The bank has a capital of $100,000 and a surplus of $517,433.28. Conversion of **Citizens Bank of Stuart, Stuart, Fla.,** to take effect as of the close of business on Aug. 30.

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Joseph M. Barnes has been elected a Vice-President of the **Dania Bank, Dania, Fla.**

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**California Bank, Los Angeles, Calif., elected J. Boyce Smith,** Vice-President and Herbert D. Anderson an Assistant Vice-President.

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At a special meeting held Sept. 11, shareholders of **Crocker-Anglo National Bank, San Francisco, Calif.,** voted approval of a stock dividend of $10,083,205, equal to 25% of presently outstanding capital stock, it was announced by Paul E. Hoover, President.

The dividend, declared and announced by the bank's board of directors on July 22, will be payable by the issuance of 1,008,325 shares of $10 par value stock. Each shareholder of record Sept. 11 will receive one new share for each four shares owned. The stock dividend will increase the number of outstanding shares from 4,033,300 to 5,041,625, and the amount of capital stock from $40,333,000 to $50,416,250.

It is expected that the present annual dividend rate of $1.20 per share will be continued on the increased number of shares after Oct. 1, 1958.

## FIC Banks Place Debs.

The Federal Intermediate Credit Banks offered yesterday (Sept. 17) a new issue of approximately $100,000,000 of 3¼% 9-month debentures dated Oct. 1, 1958 and maturing July 1, 1959. The price is par.

It was also announced that an issue already outstanding with a maturity of Feb. 2, 1959 was reopened for a total of $2,000,000 and sold for delivery Oct. 1, 1958.

Proceeds from the financing will be used to refund $126,000,000 of 3.65% debentures maturing Oct. 1, 1958.

The offerings were made through John T. Knox, fiscal agent, and a nation wide selling group of securities dealers.

## Courts & Co. to Admit S. R. Harris

ATLANTA, Ga.—Courts & Co., 11 Marietta Street, N. W., members of the New York Stock Exchange on Oct. 1 will admit S. Richard Harris to partnership in the firm.

## $30 Million Issue of Los Angeles County Unit Bonds Marketed

An underwriting syndicate formed by the merger of two groups—one headed by Bank of America N. T. & S. A., the other by The Chase Manhattan Bank—was awarded on Sept. 16 an issue of $30,000,000 Los Angeles County, Calif., Flood Control District bonds due May 1, 1959 to 1983, inclusive. The merged group bid a premium of $244,979 for the issue, resulting in a net interest cost of 3.68% to the county.

Public reoffering of the bonds is being made at prices to yield from 1.75% to 3.75%, according to maturity.

Other members of the offering syndicate include:

The First National City Bank of New York; Bankers Trust Co.; Harris Trust and Savings Bank; Guaranty Trust Co. of New York; J. P. Morgan & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; Smith, Barney & Co.; Security-First National Bank.

American Trust Co., San Francisco; California Bank, Los Angeles; Continental Illinois National Bank and Trust Co. of Chicago; Chemical Corn Exchange Bank; The Northern Trust Company; Lazard Freres & Co.; Drexel & Co.

R. H. Moulton & Company; Glore, Forgan & Co.; C. J. Devine & Co.; Merrill Lynch, Pierce, Fenner & Smith; The First National Bank of Oregon; Seattle-First National Bank; R. W. Pressprich & Co.; The Philadelphia National Bank; Equitable Securities Corporation; Bear, Stearns & Co.

Dean Witter & Co.; William R. Staats & Co.; Mercantile Trust Company; Reynolds & Co.; J. Barth & Co.; Ladenburg, Thalmann & Co.; Hornblower & Weeks; Clark, Dodge & Co.; Ira Haupt & Co.; E. F. Hutton & Company.

A. M. Kidder & Co., Inc.; Laidlaw & Co.; Lee Higginson Corporation; National State Bank, Newark, N. J.; Schoellkopf, Hutton & Pomeroy, Inc.; Shearson, Hammill & Co.; Stroud & Company Incorporated; Trust Company of Georgia; Wertheim & Co.

### Joins Dayton Co.

MIAMI, Fla.—Dale M. Reed is now connected with Dayton Company, 7245 Southwest 57th Ave.

## de Bronkart Joins Williston & Beane

**Eugene H. de Bronkart has been named manager of the Corporate Bond Department of J. R. Williston & Beane, 115 Broadway New York City, members of the New York Stock Exchange. As head of this department, Mr. de Bronkart will be responsible for corporate** bond syndicate and sales activities.

Mr. de Bronkart was an executive with H. Hentz & Co. before assuming this new position. He has also been associated with Courts & Co., Amott, Baker & Co., and Sills, Fairman & Harris where he was corporate syndicate manager of their New York office.

*Continued from first page*

# As We See It

about the part government should play in giving effect to the principles of the so-called full employment act. On the surface the question seems to be merely how the Treasury is to find the funds it must have without large, not to say massive, help from the Federal Reserve system, which in turn poses the politically tinged question of whether there should be "independence" of the central banking authorities — independence, that is, which even demands that the Treasury stand on its own feet even as business must do when it comes into the market to borrow funds.

### More Is Involved

Much more is, however, involved. Either the Treasury must stand on its own feet and enter into competition with private borrowers for a relatively limited supply of saved funds, or the funds it spends must be provided through a process that at bottom is not greatly different from the issue of greenbacks. In this latter event that is no reason under the sun not to expect a continuation of the rise in prices, and even an acceleration of the pace at which they rise. There should be no need to elaborate at this point upon the effects of such a course of inflation. It should not be necessary to point out, as it has often been pointed out in the past, and as history has so often demonstrated, that at one time or another the very thing that was to be prevented or cured by the public policies which gave rise to the inflation—namely depression—will be precipitated.

But it is equally cogent to inquire what would happen if inflationary tactics on the part of the Reserve System are avoided and the Treasury is left to get its money from the market as best it can. Obviously, if business is to flourish and develop as we all should like to have it, there will be need in the private economy for all the funds being currently saved. Now if, nonetheless, the Treasury is to absorb an undue part of this flow of funds, then the ordinary operations of business must do without just that much of what it would otherwise have at its disposal.

It would mean that a substantial part—a larger part than is now the case, and that is large enough in all conscience—of the current means of the people would be paying farmers to stay in that business and produce more of various articles than is wanted. It would mean that large sums would be forced into housing which probably will not through the years be able to pay its own way—or else private capital would quickly supply it. It would mean that larger and larger numbers of people would go into the unproductive office of the Federal Government instead of working to provide themselves and the rest of us with the good things of life. It would mean that some of the advantages that advancing technology will make possible in the years to come can not be as fully exploited as otherwise could and would be the case.

### A Heavy Price

It is plain, therefore, that it is not merely a question of having or not having inflation. Had we the hardihood and the determination it is still quite possible to avoid further inflation despite past sins. We should, of course, have to avoid economic sins in the future, and we should have to go to work on various aspects of the situation other than the financial facet. But it could still be done. With the state of affairs already created by efforts of the politicians and others to banish a very moderate recession, we should, however, have to pay a stiff price for salvation from what we need never have feared or been in danger of. It would, of course, be better to pay the stiff price than to go the inflation route—which in the end would cost a great deal more.

But what of the future? Can we not learn a simple truth from the situation as it now has developed? Is it too soon to begin the task of disillusioning ourselves about what the government can do and what tinkering with credit can do to prevent or cure depressions? Must we keep on until a real disaster overtakes us—as it has done more than once with peoples and nations which thought that they had found an easy road to eternal economic bliss? Of course, this is an election year, and we may be quite sure that all we shall hear from the politicians is claims and counter claims and denials as to what caused the recession—mild as it was—and what cured it. There will, no doubt, be much boasting about the role that government played in bringing it to an end. We can only hope that somewhere in this bedlam a still, small voice will be raised to tell the plain, unvarnished truth about all this and to warn the rank and file about where we are likely to find ourselves if we do not mend our economic ways.

The trouble is — or one of them — that candidates elected on such a campaign basis will have no political incentive to do the needful.

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*Continued from page 6*

# The Businessman and National Security

nucleus around which our fighting forces could be rebuilt in an emergency as they were in World War I. The advent of modern weapons such as the airplane, the ballistic missile, and the atomic weapon has changed all of this. We now find it necessary to maintain a very large standing Army, Navy and Air Force, comprised in each case of highly skilled personnel, with the majority of them serving on a career basis.

Today our military career men are not paid what they should be, with the result that some of the most competent officers are resigning from the services. Many in the prime of their years are leaving to join the major corporations because of the financial situation in which they and their families find themselves.

The new military pay law, based on the recommendations of the Cordiner Report, represents a step in the right direction and one for which Congress and the Defense Department deserve congratulations. But a great deal more remains to be done if we are to match the Russians in providing incentive for our key people.

### Small and Big Business Needed

If we are to achieve maximum effectiveness in defense, the role of business—both large and small—must be better understood.

In our free-enterprise system, we need big and small business, working together to turn out the goods that each produces most efficiently. We need big business for its massive scientific and technical resources, and its ability to produce in large volume. We need small business for its specialized skills and its initiative in developing new ideas. Without one, the other would wither on the vine.

Both are especially necessary in our defense effort. The large companies perform a valuable function by taking on major projects, then breaking them down into segments that are manageable by smaller firms.

In two World Wars, large companies have been one of the basic sources of American strength. During World War II, the 100 largest contractors handled two-thirds of our critical defense production. In the present age of ballistic missiles and hydrogen warheads, when it costs anywhere from $50,000 to $150,000 just to make a proposal on a major defense contract, only companies with large budgets can afford to go after the big prime contracts.

How would we like to prepare our defenses without the aid of the top three or four companies in steel, motors, electrical equipment, chemicals, aircraft and other key industries?

David E. Lilienthal, in his book, "Big Business: A New Era," tells how the Government turned to a big business for help in mass-producing atomic bombs. And then he makes this comment: "To the extent that the principle of Bigness, in our economic life, contributes in an affirmative and an indispensable way to the strengthening of our national security we should, by an explicit and affirmative national policy, encourage and protect that kind of Bigness."

There have been a multitude of misconceptions about the relationship between big and small business. The charge has been made that big business has prospered by stifling small business. Nothing could be further from the truth. The Rockefeller Report on the U. S. Economy points out that the total number of businesses in this country has grown by 40% since 1929—even while individual business units have become larger. We now have 4.2 million non-farm businesses in the United States—the largest total in our history. This is a pretty good indication, I think, that there is no stifling of small business and no shortage of the spirit of enterprise that has made America great.

I'm not for big business or for small business as such — I'm for maximum effectiveness. Whatever it takes—if it is good for the consumer and our people generally, and if it is good for our defense—let's do it! Let's do it with big *and* small business!

To attain maximum effectiveness in our defense program, we must exert every effort to reduce lead-time — the lag between the conception of a weapons system and its actual production.

A Pentagon study group[1] found that, on the average, it takes us ten years to conceive and produce new air-weapons systems—about twice as long as the Russians. The group also found that half of our time is spent trying to decide whether to go ahead with the weapon or not. In other words, it takes us as long to plan a new system as it takes the Russians to plan and produce it.

The problem is complex, but improvements can—and must—be made.

Business' approach should take into consideration all the elements of sound management—planning, organization, integration and measurement. There is a natural tendency to keep doing things the way we did them yesterday. Business must be willing to experiment constantly with new techniques and adopt them whenever they can improve on existing methods.

On the other hand, Government should give business greater authority and responsibility for making decisions on materials, components and techniques. There have been some encouraging advances in this direction just in recent months, and it is to be hoped that this trend will continue. For one of the prime strengths of the private enterprise system lies in the creativity of individual contractors.

We must remember that any decision about new weapons carries with it a certain risk. We must accept this risk and use our best judgment on when to "freeze" major product designs and go into production. There are bound to be some mistakes. But this is part of the price we must pay to close the gap between ourselves and the Russians on lead-time — and this gap *must* be closed.

### III

### Need for Change in Nation's Posture: Long-Range

In facing up to the long-range threat to our security, we must adapt ourselves to a situation which, for us, is entirely new. Throughout our history as a nation, we have grown accustomed to looking upon War as one thing and Peace as another—and adjusting our national policies accordingly.

Now we find ourselves confronted with a situation that is neither full War nor full Peace but Cold War—or Hot Peace. One difference between Cold War and Hot War is that no one has quite pulled the trigger. Another difference is that recent Hot Wars have been of limited duration; Cold War may last for generations—a throwback timewise to the days of the 14th and 15th Centuries when the Hundred Years' War and the Wars of the Roses raged on seemingly without end.

Because of the permanency of the crisis and the complexity of the problems inherent in it, this Cold War situation calls for a new approach to overall, long-range planning. We must establish far-sighted objectives and plans which will not be affected in a major way by short-term considerations. How can we accomplish these aims without giving up those things we hold dear?

This is the most important question of our time.

While I do not claim to be an expert on the subject, I believe we need new and fresh approaches to the solution of our Cold War problem. I believe that each of us should try to suggest such approaches. We must lift our eyes to a more distant horizon.

In this spirit I would like to suggest a possible approach to this problem.

I believe we should establish a fourth major branch of our Federal Government—one that might be called the Permanent Council on Plans and Policies. This new branch — ranking in importance with the Legislative, Executive and Judicial branches — would have responsibility for overall planning.

The Legislative and Judicial branches have reasonable continuity, but the Executive branch does not. The President has, at most, eight years in the White House. The average term of a Cabinet officer in the last three Administrations has been 3.7 years. In these circumstances, there is little chance for continuous study and analysis of the fundamental problems that will confront us five, ten or twenty years from now — or the best policies for coping with these problems.

This would be the task of the Permanent Council on Plans and Policies. Council members would be appointed for extended terms, in much the same manner as our present Supreme Court members, by joint agreement of the Executive and Congress. Hence, they would not be subject to the varying fortunes of political parties. They would be selected from among top-ranking leaders in education, the sciences, business management, defense, labor and other important segments of national activity. They would be supported by an adequate staff of specialists.

The primary function of this Permanent Council would be to formulate our long-range objectives, policies, programs, and strategy as related to the total needs of the nation. Unlike the other three branches of Government, this new one would look primarily to the future.

The difference between this Permanent Council and existing planning groups like the National Security Council, the Office of Defense Mobilization and others, would be that the latter are all arms of the Executive branch and are concerned with a particular area rather than with the over-all picture. The proposed new Permanent Council, being in itself a fourth arm of Government, would have the independence and continuity that existing bodies lack. It would also encompass the whole broad range of Government activity.

Although it would have the right only to evaluate programs, to recommend their implementation and to persuade the other

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1 Ad Hoc Study Group on Manned Aircraft, Systems appointed by Defense Secretary Wilson in 1957.

three branches of Government, it is my deep conviction that, in time, the new concepts and ideas emerging from such a top-level group would stimulate greater leadership and direction at all levels of our society. The Council would serve to inspire and co-ordinate long- and short-range planning in all branches of Government.

While it is true that the Russians pose the primary threat, I believe this program should also be implemented because of the over-all needs of the country. The increasing complexity of our moral, political, economic, military and social problems requires that we be ready to modify our methods and programs when necessary.

Because of their own experience, business executives have the utmost sympathy for Government's tremendous problems in adjusting methods and programs. Nevertheless, this sympathy must not retard our efforts to point up and solve these problems.

I realize, of course, the time and effort involved in establishing such a fourth branch of Government as I am proposing. It would require action by Congress as well as by the individual states.

However, so urgent is the need for our having a coordinated policy on every Cold War front that I would make one further suggestion as an interim move. I would urge that our over-all planning group be set up immediately by Executive Order. In that way we would begin deriving the benefits at once, while steps wer under way to make the Counci. a constitutional agency.

### IV

### The Next Steps

There are other specific steps that could be taken promptly by both Government and business. These steps, I believe, would contribute materially to achieving the changes needed in our defense posture, both short-range and long-range.

**By Business:**

(1) Become acquainted to the fullest possible extent with the nation's military establishment to the end that national security requirements, present and future, are understood.

(2) Take the initiative in identifying, defining, studying, and solving the problems now facing our military establishment.

(3) Come up with better equipment and better procedures to meet our miltary needs.

(4) Make better utilization of industry's engineers.

(5) Make available more and increasingly better scientific, technical and managerial people for service with the Department of Defense and the Armed Forces, and allow them to serve for more than the one-year period that has become standard.

(6) Offer training programs in technical and managerial skills for military personnel to help develop a better understanding of the way business operates.

(7) Voluntarily go after cost reduction with resolution, even though it may mean less profit.

(8) Do the best job possible regardless of any limitations in incentives.

**By the Government:**

(1) Devise defense contract terms that will offer genuine incentive for cost reduction, early delivery and peak efficiency.

(2) Allow defense contractors the reasonable rates of profit which were intended and provided by the law in order to make defense work adequately attractive in a free economy.

(3) Reimburse contractors for all legitimate costs incurred on a job, instead of ruling out such charges as interest, accelerated amortization of facilities and similar items.

(4) Encourage business to do independent research and development of its own origination, thereby releasing the great forces available through the decentraliza of brain power and genius.

The new approaches I have suggested — both for the short-run and for the long-run — must be made within the exhilarating framework of the free-enterprise system, a system that has brought about remarkable advances in our material welfare.

In its propaganda, Russia has boasted of its economic approach as a great triumph of advanced thinking. In practice, our system is actually the one that has brought about the highest standard of living in the world, while the Russian system is leading their people back toward serfdom.

It is one of the dramatic ironies of history that Karl Marx's socialist goal of abundance for all in a classless society has been achieved by the very capitalistic system whose collapse he forecast as "inevitable."

If we consider the spread in wages between the least and the most skilled workers, we find that in Russia those at the top of the ladder have a take-home pay 80 times as great as those at the bottom. In the United States, the ratio is barely 10 to 1.

While we in America want great plenty for all, we must remember that this will never be permanently achieved by reducing the rewards to our most skilled people, whether worker, manager, soldier, engineer, or any other occupation.

The Communist Manifesto of Marx and Friedrich Engels opened with the portentous words: "A specter is haunting Europe—the specter of Communism."

Today this specter grimly haunts not only Europe but the entire world — a world weary of Cold War and worried about a Hot War.

The challenge to us is plain and pointed.

We must set ourselves resolutely to the task. For in this competition, we must stay ahead — if we are to stay alive.

## Joseph R. Mueller With Parker & Weissenborn

NEWARK, N. J. — Joseph R. Mueller has become associated with Parker and Weissenborn, Inc., 24 Commerce Street. In the past he was a partner in Mueller & Currier.

## Powell Adds to Staff

FAYETTEVILLE, N. C.—Hiram P. Edwards is now with Powell & Co., Inc., 120 Anderson Street.

## Joins Walston Staff

(Special to The Financial Chronicle)

LONG BEACH, Calif.—Vernon E. Swetnam is now with Walston & Co. Inc., 210 East First Street.

*Continued from first page*

# Outlook for Petrochemicals

**with the continuing support of the strong research and development arm of the industry, coupled with intelligent and aggressive leadership,** the industry will continue to prosper.

### Size of the Industry

**This year, total petrochemical production will be about 40 billion pounds. Last year, petrochemicals comprised 26% of the U. S. chemical production. Domestic production of all chemicals was about 148 billion pounds. The value of petrochemicals was approximately 55%** of the sales value of all chemicals. (Table 1 and II).

**TABLE I**
**Past and Future Petrochemical And Chemical Production**
(In Billions of Pounds)

| Year | Petrochemicals | All Chemicals | Petrochemicals % of Total |
|---|---|---|---|
| 1953 | 25.3 | 114.3 | 22 |
| 1954 | 26.5 | 114.6 | 23 |
| 1955 | 32 | 134.8 | 24 |
| 1956 | 35 | 143 | 25 |
| 1957 | 38 | 148 | 26 |
| 1958 (est'd) | 40 | 141 | 28 |
| 1963 (est'd) | 60 | 205 | 39 |

**TABLE II**
**Dollar Value**
(In Billions)

| Year | Petrochemicals | All Chemicals | Petrochemicals % of Total |
|---|---|---|---|
| 1953 | $3.2 | $6.1 | 52.7 |
| 1954 | 3.2 | 6.0 | 52.5 |
| 1955 | 3.7 | 7.2 | 51.5 |
| 1956 | 4.2 | 7.8 | 55 |
| 1957 | 4.4 | 8.0 | 55 |
| 1958 (est'd) | 4.5 | 7.9 | 57 |
| 1963 (est'd) | 9.0 | 13.0 | 69 |

**The capital investment of the petrochemical industry in manufacturing facilities is presently estimated at 5 billion dollars.[1] It is believed to represent 55-60% of the assets of the entire chemical industry. Since plant investment in the petrochemical industry has been increasing at a rapid rate, it is expected that the capital investment in 1963 will be between $8,000,000,000 and $10,000,000,000.**

**Petrochemicals are ordinarily classified in three groups: aliphatics, aromatics and inorganics. In 1963, the estimated production of the different classes of compounds is listed below:**

**Aliphatics** __53 billion pounds/yr.
**Aromatics** ___7 billion pounds/yr.
Inorganics __20 billion pounds/yr.

About a year ago the average price/pound of the aliphatics was 15¢, of aromatics 19¢, and of inorganics 2.5¢. In 1956 petrochemicals sales arounted to 4.2 billion dollars, and in 1957 they were 4.4 billion.

In Table III a comparison is presented for capital expenditures for new petroleum refining facilities with those for petrochemicals. It is expected that the investment in new facilities for the chemical side of the petroleum industry will exceed those for refining this year. It is expected that the former will then exceed the latter each year thereafter.

**TABLE III**
**Capital Expenditures**
(In Billions)

| | Petroleum Refining | Petrochemicals |
|---|---|---|
| 1955 | $0.8 | $0.5 |
| 1956 | 0.9 | 0.7 |
| 1957 | 0.9 | 0.9 |
| 1958 (est'd) | 0.8 | 0.9 |
| 1963 (est'd) | 1.1 | 1.3 |

In Figure 1 the capital expenditures for petroleum refining and petrochemical plants are shown for the past two years and estimated for the next five years. In 1960 it is expected that the annual rate of capital spending for new equipment and plants in petroleum refining will be approximately $0.9 billion and will increase to $1.1 billion annually by 1963. Today capital expenditures for new petrochemical plants are believed to be a little greater than for oil refining; however, the annual rate of spending for new plants in the field of petrochemicals in the next five years is expected to far exceed that for oil refining. By 1963 the annual investment in new petrochemical plants may exceed that for new oil refining plants by 20%.

### Diversity of Ownership

Petrochemicals are broadly defined as those chemicals derived from natural gas and petroleum sources.[2] Today in the petrochemical business one finds companies which not so many years ago were established firmly in petroleum refining, chemical manufacture, shipping, farm equipment manufacture, rubber processing, gas pipe line operation, etc.

Examination of some of the historical growth figures and profit margins, and the anticipated growth patterns makes it easy to understand the great and continuing activity in this field.

Statistical information on the petrochemical industry—as distinguished from the chemical industry as a whole—is difficult to segregate. Consequently in Figure 2 a comparison is shown for the entire chemical industry with the natural gas, petroleum, rubber, and all industry to present a picture of the size and scope of this growing field. The figures are compared for the 25 year period 1931 to 1956 inclusive. The chemical industry's growth of 10.8% per year far exceeds that of the other major industries shown. The annual growth rates were 7.8 for natural gas, 5.5 for rubber products, 4.5 for petroleum, and 4.5 for all industry. Growth is expressed on the basis of pounds of product made each year.

Figure 3 shows the annual sales of the petrochemical, rubber, and petroleum industries. Last year petrochemical sales amounted to 4.4 billion dollars, rubber (finished goods) 5.5 billion dollars, and petroleum products 12 billion dollars. The latter figure is based on wholesale prices before state and federal taxes which are both substantial.

Figure 4 compares the net income per dollar of net worth for the "Chemical and Allied Products," "Petroleum," and "All Manufacturing Operations." The figures represent an average for 1956 and 1957. The return for "Chemicals and Allied Products" was highest at 13.4%. Petroleum refining was 12.6% and all manufacturing 11.3%.

Figure 5 shows the past, present, and future expected growth rate of the "petrochemical" portion of the chemical industry. The capital investment and production have increased better than fourfold from 1940 to 1950. From 1950 to 1957 the industry more than doubled. A high growth rate is expected to continue from 1957 to 1963. The capital investment in 1963 may be in excess of 8 billion dollars.

The preceding charts show the chemical industry — particularly the petrochemical segment—to be both fast growing and profitable. It is characterized, however, by high investment per unit of production and rapid technological obsolescence.

The petroleum industry is playing a major part in the development of the petrochemical industry. Here are a few interesting observations concerning successful petroleum company participation in the petrochemical field:

### Shell Oil Corporation

The Shell Chemical Corporation came into being in 1929. The 1956 chemical production of this wholly-owned subsidiary of the Shell Oil Company amounted to 2 billion pounds with a sales value of $213,000,000. In 1957 sales of chemicals were a little less than in the previous year but were still believed to be above $200 million. From 1950 to 1956 the gross income from chemicals increased three times. The largest sales increases were in agricultural chemicals, resins, plastics, synthetic rubber and organic chemicals.

Among the many organic chemicals derived from petroleum on which Shell has done outstanding work are isopropyl alcohol, synthetic glycerine, epoxy resins, butyl alcohol and methyl ethyl ketone. They have pioneered in the agricultural chemical field and in recent years added a urea plant to their nitrogen chemistry kit.

The contribution of Shell's Chemical's operations to Shell Oil's net income is not publicly available. However, Shell's outstanding record of net return to gross sales, total assets, plant investment of net worth—however you want to evaluate its performance with other oil companies—indicates petrochemicals contribute a significant share towards Shell's earnings.

It is believed significant that as far back as 1948, approximately half of the efforts of the Shell Development Company were directed to the petrochemical field.

### Esso

Among the petrochemical companies Esso (Standard Oil Company of New Jersey) was one of the first to make a big entry in the petrochemical field. Many years ago, Esso manufactured synthetic ethyl alcohol from petroleum via the indirect hydration route using sulfuric acid as an intermediary. Later butyl alcohol and methyl ethyl ketone were added to their list. Esso also manufactures "OXO" products which are believed to have an especially bright future.

For supplying the rubber we needed in World War II, several oil and rubber companies initiated programs which led to the development and commercial production of synthetic rubber. Butyl rubber, discovered by SONJ, is derived completely from isobutylene and isoprene. Nearly two years ago Esso Research and Engineering announced successful production of automobile tires from butyl and declared that the butyl tires have several advantages over those in present use. They have also developed a process for making butadiene from

**FIGURE 1**
**Estimated Capital Expenditures for Petroleum Refining and Petrochemical Plants**

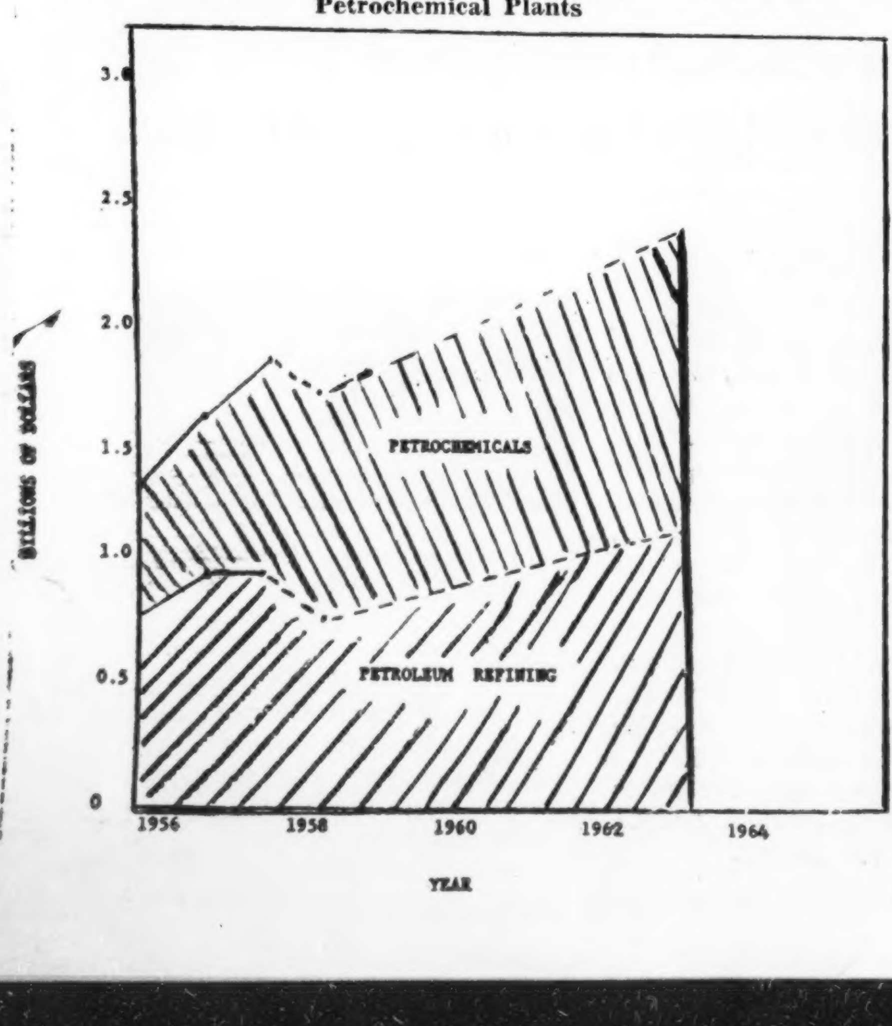



**FIGURE 2**
**Comparison of Growth Rates of the Chemical With Related Industries — 1931-1956**

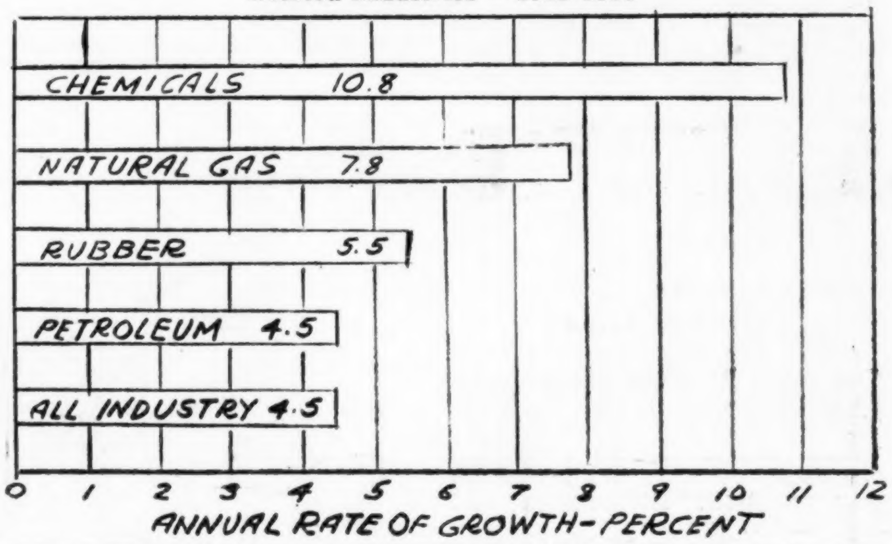



**FIGURE 3**
**1957 Dollar Sales of Petrochemical, Petroleum and Rubber Industries**

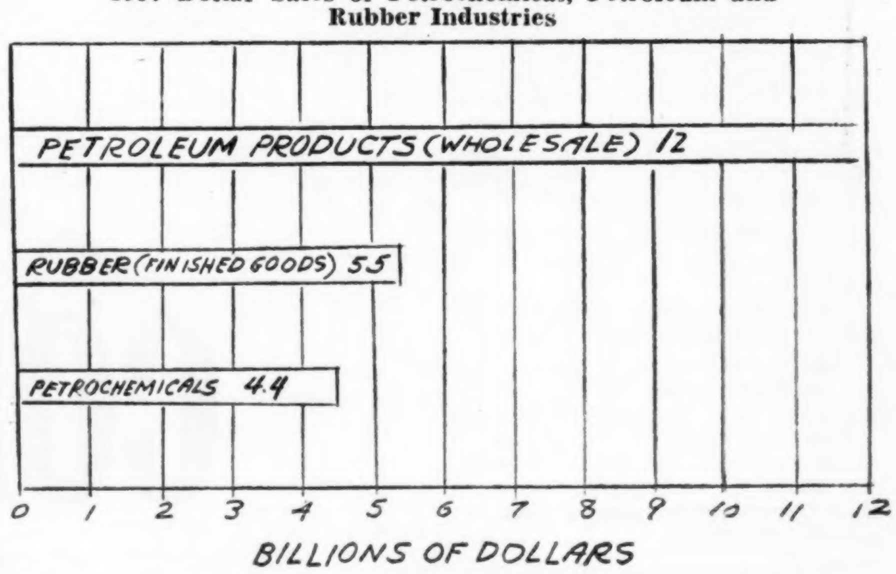
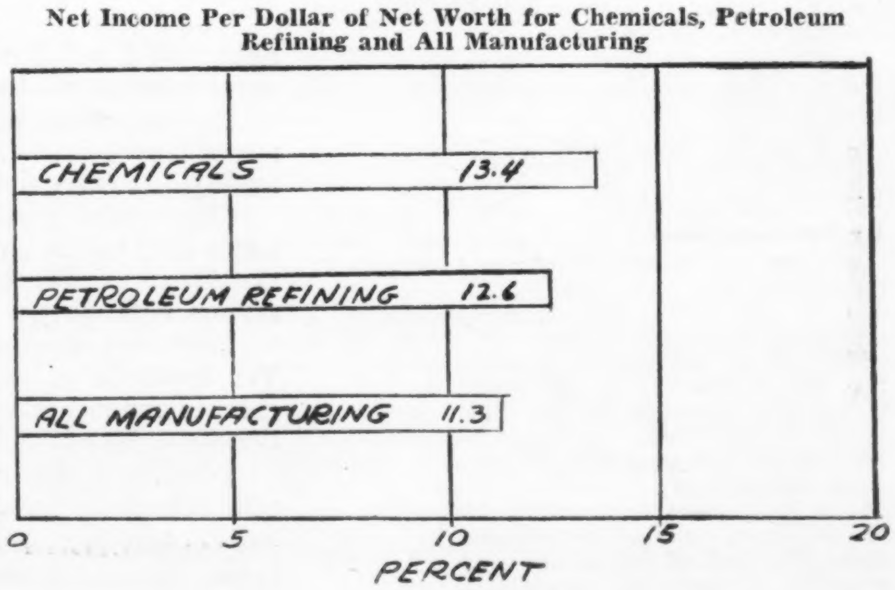



**FIGURE 4**
**Net Income Per Dollar of Net Worth for Chemicals, Petroleum Refining and All Manufacturing**




1 In 1940 the investment in the petrochemical industry was a mere $315 million.

2 "Petrochemicals can be defined as chemical compounds made with a petroleum hydrocarbon as one of their basic components. Actually the general understanding goes beyond this to include pure hydrocarbons and other materials derived wholly or in part from petroleum but not generally classed as chemicals. Examples are ammonia made from natural gas and synthetic rubber—a mixture of hydrocarbon polymers. Carbon black, essentially pure carbon, is included in this category.

The major petrochemicals are ammonia, synthetic rubber, carbon black, ethylene, propylene, butylene, butadiene for rubber, acetylene, benzene, toluene, styrene, polyethylene, phenol, formadehyde, acetaldehyde, methyl alcohol, ethyl alcohol, isopropyl alcohol, butyl alcohols, ethylene oxide, ethylene glycol, acrylonitrile, acetic acid, acetic anhydride, and acetone. The minor products are numbered by the thousands."—Excerpt from "PETROLEUM AND NATURAL GAS" Bulletin 556 Bureau of Mines, p. 8. A Chapter from Mineral Facts and Problems by R. A. Cattel and others.

butylenes and extraction processes for recovery of butadiene and also isobutylene.

In the U. S. nearly three billion dollars worth of farm crops are destroyed each year by disease. Esso Research and Engineering has licensed patents dealing with the production of a fungicide which is having unusual success in combatting crop disease.

In 1955, petrochemical sales were above any previous year and amounted to approximately 6% of total domestic sales. Although their petrochemical sales have not been published, it is believed that they were in excess of $150,000,000 in 1954. In 1953 they were more than $100,000,000.

Recently the Humble Oil Company, an affiliate of Esso, disclosed their intention to manufacture polypropylene. This may well be an up-and-coming plastic that will enjoy huge growth.

### Phillips Petroleum

Phillips Petroleum has been a very aggressive and successful operator in the petrochemical field since World War II. Some years back it set as a company objective the upgrading of many of its petroleum and natural gas hydrocarbons to more valuable end products. In the past decade, it has become one of the largest producers of ammonia fertilizers and carbon black. In addition, it is producing paraxylene and methylvinylpyridine for synthetic fibers, and is now in commercial production with a new type polyethylene by its new low-pressure process.

Phillips was one of the refiners to purchase Government-owned butadiene and GR-S plants and is now an important factor in the butylene, butadiene, and GR-S rubber fields to add to its petrochemical activities.

With one of the largest reserves of natural gas in the U. S., they have an excellent position in the petrochemical industry. The company's activities include fertilizer, synthetic rubber and plastics. Sales of petrochemicals were estimated at $130,000,000 for 1955 and are believed to have been substantially greater in 1956 and 1957. Within the next two or three years, their petrochemical sales are expected to be double the 1955 sales. It is conceivable that earnings from petrochemicals could easily expand to the point where they are at least as great as present profits from the oil and gas operations.

### Gulf Oil

The petrochemical activities of the Gulf Oil Corporation have been primarily in the field of ethylene production and distribution and also in the manufacture of iso-octyl alcohol via the Oxo process. In the early 1950's Gulf entered the ethylene business by building a plant to manufacture 150,000,000 lbs. of ethylene/year. Three years ago they completed a second unit to manufacture an additional 220,000,000 lbs/year. Last year their ethylene production was close to 400 million pounds. It is understood that Gulf is currently manufacturing approximately 9,000,000 lbs annually of high-grade iso-octyl alcohol and that demands exceeds capacity. There is a growing interest in a number of Gulf-developed additive agents, an example of which is a superior rust inhibitor which also has a number of other attractive features including anti-stalling.

Gulf's other interest in the petrochemical field is through Goodrich-Gulf Chemicals, Inc. They now have a substantial interest in the butadiene plant at Port Neches, Texas. The synthetic rubber plant at this location is owned exclusively by Goodrich-Gulf, Inc. The latter company has experienced increased sales of its Ameripol rubbers and latex.

FIGURE 5

U. S. Petrochemicals Investment and Production

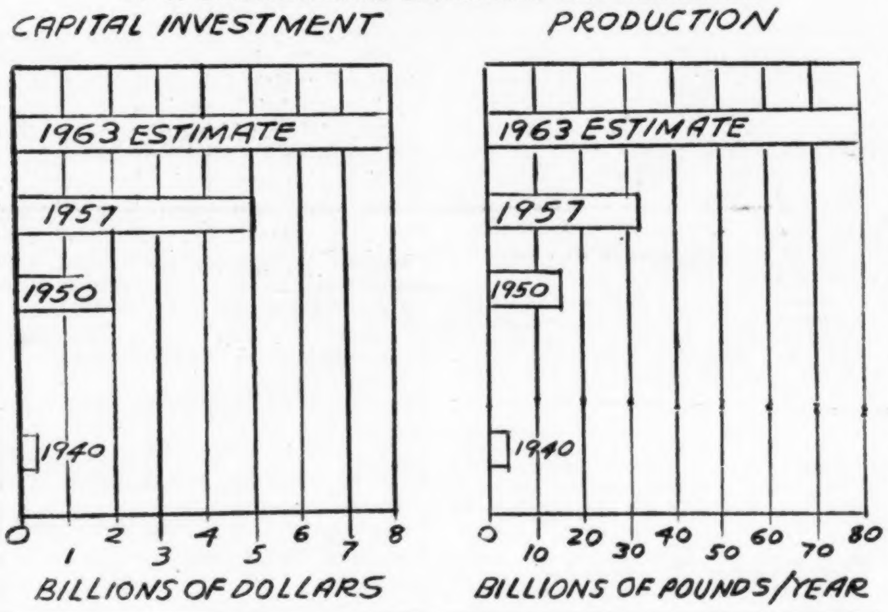
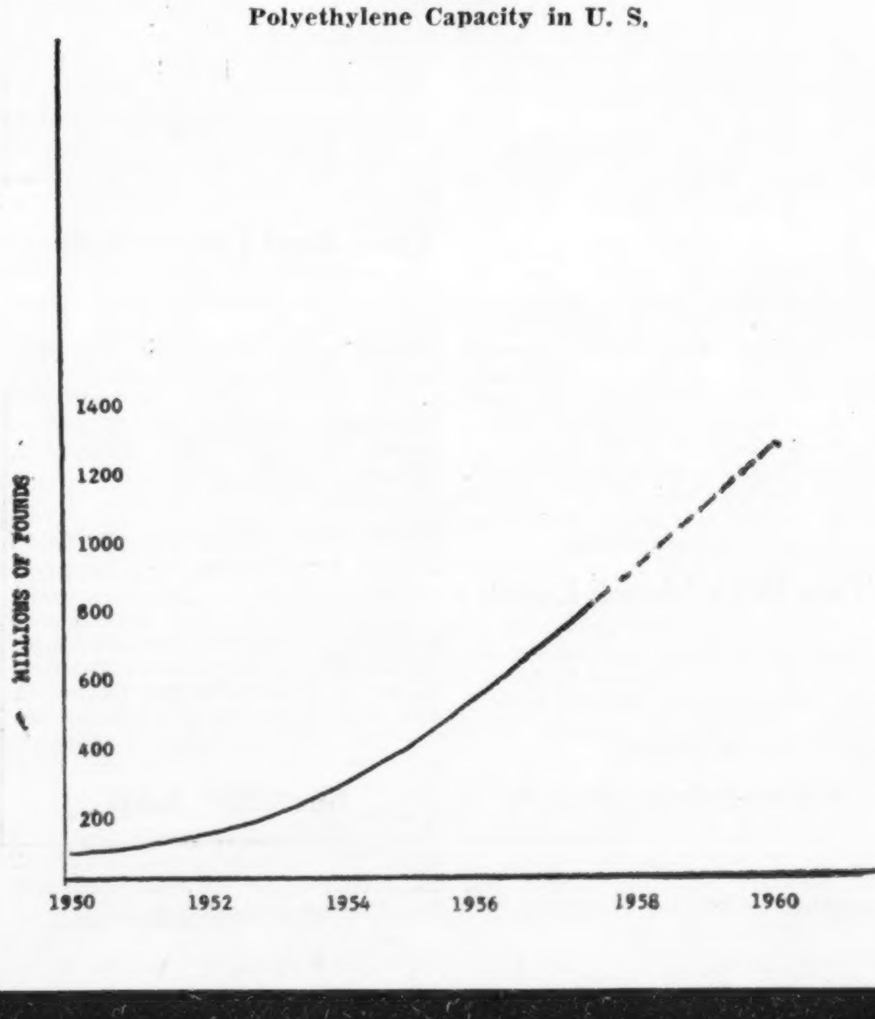



FIGURE 6

Polyethylene Capacity in U. S.




### Standard Oil Company of Indiana

Standard Oil of Indiana's petrochemical business is only a small portion of their total, but is profitable and increasing. Dollar volume of sales by their new chemical subsidiary—Amoco Chemicals—1955 were about 50% over 1954. Among the petrochemicals they are producing commercially are dodecylbenzene, polybutene, and Oxo alcohols. At Texas City, they operate the first plant ever built for direct synthesis of methyl mercaptan for use in the manufacture of methionine ,a new poultry feed supplement. They are large producers of additives to improve the quality of lubricating oils. They not only make the greater proportion of what they use, but supply large quantities to other manufacturers.

Last year it is believed that they brought into production a new ammonia plant of Calumet Nitrogen Products Company. Calumet is owned jointly by Indiana and Sinclair Refining Company.

In the near future it is expected that a new plant for the oxidation of mixed xylenes to phthalic acids—including terephthalic acid—will be brought on stream. Terephthalic acid is used in the production of a synthetic fiber.

### Standard Oil Company of Calif.

The Standard Oil Company of California has pioneered in the utilization of aromatics. The Oronite Chemical Company[3] (a wholly-owned subsidiary) is believed to be the acknowledged leader in the manufacture of dodecylbenzene. This material is made by polymerizing propylene to the tetramer, which is subsequently alkylated with benzene to form dodecylbenzene. Dodecylbenzene is the precursor to one of the major detergents.

The petrochemical sales of California Chemical Company[3] were about $70,000,00 four years ago and were $120 million last year.

### Cities Service and Continental

In 1927 Cities Service, with their natural gas oxidation process, manufactured formaldehyde, methanol and acetaldehyde. In recent years Cities Service and Continental formed a petrochemical subsidiary called Petroleum Chemicals, Inc.

Three years ago P.C.I. purchased from the government the Lake Charles butadiene plant. This plant has a capacity of about 65,000 tons per year. The capacity has now been increased to 80,000 tons per year.

Cities Service and Continental also purchased a controlling interest in Mid-South Chemical Company, an anhydrous ammonia marketing company. This company has undergone a major expansion with construction and purchase of additional ammonia bulk distribution stations, dock facilities, and construction of barges for transporting ammonia to a number of terminals on the Mississippi Valley and in southern Texas. P.C.I. has built a huge ammonia plant for Lake Charles to supply the requirements of Mid-South. Recently they have announced ethylene and ethylene glycol plants and also a butyl rubber plant. When these plants are completed, P.C.I. will have over $80 million invested in petrochemical plants. It will not be very many years before their petrochemical sales will be in excess of $100,000,000/year.

3 A subsidiary called the California Chemical Co. was organized to coordinate the activites of Oronite Chemical and California Spray-Chemical.

### The Texas Company

The Texas Company offers an interesting example of diversified participation in the petrochemical field. Texaco is engaged in increasing its direct participation and is simultaneously involved in the field through two jointly owned companies.

The Texas Company has been producing petrochemicals, as part of its regular operations, for many years. Only small amounts of these products have been marketed as such. They have been used in the manufacture of fuels, lubricants and specialty products of the company. Examples are the manufacture of napthenic acids, sodium sulfonates, anti-freeze additives, gasoline additives and rust inhibitors.

In the two years they have taken steps to expand considerably their petrochemical program with the construction of a lubricating oil additive plant at Port Arthur, Texas and a 180 ton/day ammonia and ammonia derivatives plant at Lockport, Illinois.

The Texas Company and its wholly owned subsidiary, Texaco Development Corporation, have been major factors in the development and commercial application of the partial oxidation of natural gas and heavy fuel oil for the production of hydrogen for ammonia synthesis gas. Successful commercial operation on natural gas is well established. The first full-scale operation on heavy fuel oil started over a year ago in France. The plant is owned by Kuhlmann. Texaco has also done considerable work on coal gasification.

In its joint interest ventures, the Texas Company is associated with American Cyanamid in the Jefferson Chemical Company, Inc., and with the United States Rubber Company in the Texas-U.S. Chemical Company. Jefferson is a major producer of ethylene oxide and ethylene glycol. They also produce and sell a considerable number of other products, some of which, such as ethanolamines and morpholine, are derived from ethylene oxide.

Texas-U. S. now owns an undivided one-half interest in the butadiene plant at Port Neches, Texas. It also owns one of the two copolymer plants at Port Neches, Texas. The other half interest in the butadiene plant and the other copolymer plant are owned by Goodrich-Gulf Chemicals Company. Both of these jointly owned

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*Continued from page 23*

# Outlook for Petrochemicals

ventures give promise of steady growth in the future.

**Standard Oil Company of Ohio**

Standard Oil of Ohio is one of the newcomers in the petrochemical field. The decision to enter the rapidly-expanding petrochemical field represents a major diversification step for Standard of Ohio. It followed a comprehensive study of product profitability, market potentials, and manufacturing processes. Standard Oil of Ohio began the manufacture and sale of fertilizers and other petrochemical products two years ago when their ammonia plant at Lima, Ohio, was completed. They also manufacture urea.

**Internal Combustion Engine Petrochemicals**

Even though the present and future fuels do not come under the accepted definition of petrochemicals, no paper on petrochemicals would be complete without recognition of the gradual change that has been taking place in oil refining over the years. Petroleum refining is becoming more and more a series of chemical processing operations. Today's premium gasoline is a clear cut example of this change in refining practice. The following are but a few examples which demonstrate this point.

*Premium Gasoline:* Premium Gasoline has become the world's greatest outlet for petrochemicals. Years ago, this product was put together primarily by brute strength and awkardness. Today it is becoming more and more a matter of blending specific chemical compounds for obtaining superior quality product. The octane race in the petroleum industry, which has been in progress for some years, will continue for many years to come. The average octane number of premium gasoline today country-wide, is 98.5. Some refiners are now marketing a super-premium fuel of better than 100 octane and in at least one instance as high as 102.5 octane. The greatest single factor in this rise in octane in recent years is the widespread use of catalytic reforming processes. Approximately 1,500,000 barrels of naphtha are being reformed every day in this country.

One class of compounds that is of tremendous help to the refiner in continually improving the performance of this gasoline is aromatics. They are without a doubt the biggest petrochemical in this service. In the table below the research octane numbers of aromatics containing 6, 7 and 8 carbon atoms per molecule are shown. The lowest one is seen to be benzene which rates 99 octane and the two highest are m- and p-xylene at 145-146 octane.

TABLE IV
**Octane Number of Aromatics**
(Research Method)

| | |
|---|---|
| Benzene | 99 |
| Toluene | 124 |
| o-Xylene | 120 |
| m-Xylene | 145 |
| p-Xylene | 146 |
| Ethyl Benzene | 124 |

*Alkylate:* The alkylation process, whereby isobutane is combined with olefins to produce high octane gasoline fractions suitable for blending with other gasoline components for aviation or motor fuels, has been in commercial operation for many years. This process uses either sulfuric acid or hydrofluoric acid as the catalyst. One of the constituents of alkylate is 2, 2, 4-tri-methylpentane, which by definition, is 100 octane. The production of alkylate — and alkylation is certainly a petrochemical process—is currently in the vicinity of 350,000 barrels per day and is increasing rapidly.

*Hydrogen and Synthesis Gas:* Hydrogen and carbon monoxide are two important petrochemicals made from methane.

These two chemicals are vital in a number of syntheses including ammonia, methanol, Oxo alcohols and modifications of the Fischer-Tropsch synthesis, and countless reduction (hydrogenation) processes.

By-product hydrogen such as that obtained from a petroleum refining process — first commercialized 17 years ago—has had a profound effect on hydrogenation processes. All of the above processes fall in this category. Since there are over 800 million cubic feet per day produced from hydroforming or catalytic reforming, it represents a rich raw material supply. If a little work is done on it, instead of being worth only fuel value, it jumps to a value of as much as 40-50¢ per thousand cubic feet. This product is, therefore, worth many millions of dollars per year to the refiner.

*Synthetic Ammonia:* Many years ago ammonia could lay no claim to being a petrochemical. Today it surely is one! What has brought about the revolution in the fertilizer industry—and particularly in ammonia — is undoubtedly a combination of several factors. It is customary to call attention to two facts in the introduction of any discussion of the rapidly expanding fertilizer industry: one being the great annual increase in population and the other that there is relatively little additional land to be brought under cultivation. An increasing awareness that greater use of fertilizer was the best way to increase and maintain the productivity of our soil while simultaneously decreasing the cost of production has been largely responsible for the fertilizer revolution.

It has been reported that the most profitable rates of application, if used at optimum levels of other practices, would correspond to ten times the current total use of three primary plant nutrients.[4] The implications of such a volume become immediately apparent.

Most oil companies are using natural gas for ammonia production. An ammonia plant may be converted to production of methanol, the second-largest-volume product from methane. Production of methanol is now over 1.5 billion pounds per year and is growing. It is used for formaldehyde manufacture, antifreeze, and solvents.

*Ethylene:* Except for petrochemicals such as aromatics and alkylate, which are largely burned as fuel for the internal combustion engines, ethylene follows ammonia as the second highest tonnage material supplied from petroleum and natural gas. The growth of ethylene as a chemical raw material in the last ten years has been spectacular. Its present annual consumption is at the rate in excess of 4 billion pounds per year and is growing rapidly. Its list of derivatives is steadily increasing until it now contributes to nearly twice as many chemical and chemical intermediates as both propylene and butylene.

The most rapidly growing market for ethylene is in polyethylene plastics. In addition to its well-established use for wire insulation, film for packaging, pipes and bottles, it is finding new applications in its low polymer forms as wax substitutes. Production over the past several years and estimated to 1960 is shown in Figure 6.

Unless some far superior materials are developed, a 1.25 billion pound per year production rate mark could be reached by 1960. The above figure is intended to cover the production of polyethylene by both the low-pressure and high-pressure techniques.

**Conclusion**

During each of the last two years the output of the petrochemical industry has been nearly ten times as great as in 1940. The total assets of the petrochemical industry are valued at $5 billion. Petrochemicals now amount to one-fourth of our total chemical production. The annual investment in new plants and facilities in the petrochemical industry in the next five years will exceed that for the petroleum refining industry. The opportunities for growth are enormous and are expanding at such a rate as to assure an excellent future.

***Acknowledgement:*** **The writer wishes to express his thanks to Dr. M. E. Spaght of Shell Oil, Dr. Jerry McAfee of Gulf Oil, Mr. J. K. Roberts of Standard Oil Company (Indiana), Mr. L. C. Kemp, Jr., of The Texas Company, Mr. K. S. Adams of Phillips Petroleum, Dr. H. L. Malakoff of Petroleum Chemicals, Inc., Mr. W. C. Asbury of Esso Research & Engineering, and Mr. W. F. Bland of McGraw-Hill for much of the information furnished for the preparation of this paper.**

[4] Nitrogen, phosphorous and potassium.



## Chicago Analysts Fall Program

CHICAGO, Ill.—The Investment Analysts Society of Chicago has announced the following program for their luncheon meetings to be held through December. All meetings are held in the Adams Room of the Midland Hotel.

**September 18**
Associates Investment Company. Speaker, Robert Oare, Chairman.

**October 2**
Forum—"Analysis of Insurance Stocks" (Presentation by panel of Society Members).

**October 16**
Deere & Company. Speaker, W. A. Hewitt, President.

**October 30**
Rohm & Hass Chemical. Speakers, W. T. McClintock, Treasurer; Dr. F. Otto Haas, Exec. V.-P.

**November 6**
El Paso Natural Gas. Speaker, Paul Kayser, President.

**November 20**
Firestone Tire & Rubber. Speaker, G. O. Trenchard, Economist.

**December 4**
Jewel Tea Company. Speaker, G. L. Clements, President.

**December 18**
Economic Forecast Forum. Forecasts relating to business conditions, the stock market, the bond market, interest rates.

## Fred Astaire Dance Studios Stock Offered

Willis E. Burnside & Co., Inc. is offering publicly 299,940 shares of common stock of Fred Astaire Dance Studios (Metropolitan New York) Inc. at a price of $1 per share. The offering marks the first public sale of any securities bearing the name of Fred Astaire.

Net proceeds from the sale of the shares will be used for expansion purposes, including the construction and furnishing of a new dance studio in the Belmont Plaza Hotel, New York City; and two additional dance studios whose exact location has not yet been decided upon, one in Brooklyn, N. Y., and one in White Plains, N. Y. The balance of the proceeds will be used for working capital.

Fred Astaire Dance Studios (Metropolitan New York) Inc. has obtained for a period of 20 years from July, 1958 from Fred Astaire Dance Studios Corp., the exclusive franchise to use and advertise the name "Fred Astaire Dance Studios" in connection with dancing schools or methods of dancing within a radius of 50 miles of Fifth Ave. and 42nd St., New York, N. Y.

Upon completion of the financing, outstanding capitalization of the company will consist of 764,937 shares of common stock.

## Cashiers Group to Hold Golf Tourney

The Cashiers' Division, Association of Stock Exchange Firms, will hold its Fall Golf Tournament on Thursday, Sept. 18, at the White Beeches Golf and Country Club, Haworth, New Jersey; it was announced by the organization's President, William F. Dolen, of Eisele & King, Libaire, Stout & Co.

Governors of the Association of Stock Exchange Firms will, for the first time, place a trophy in competition at the Fall Golf Tournament. It will be awarded to a member of the Cashiers' Division having the lowest net score. Another feature will be a "Hole-in-One" contest with special prizes.

The Association's Golf Committee is headed by Carl L. Mochwart of the Manufacturers Trust.

### Two With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

HOLLYWOOD, Calif.—Norman, K. Schwab and Michael E. Starkman are now with Merrill Lynch, Pierce, Fenner & Smith, 6353 Hollywood Boulevard.

### Chiles-Schutz Branch

LINCOLN, Neb.—Chiles-Schutz Co. has opened a branch office in the Stewart Building under the direction of Wesley Radcliffe.

### Form Real Estate Equities

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Real Estate Equities, Inc. has been formed with offices at 209 Post Street to engage in a securities business. Officers are Scott Chandler, president; Gwinn H. P. Humphrey, vice president; and Lyle E. Duncan, secretary-treaurer.

### Phila. Inv. Women to Meet

PHILADELPHIA, Pa. — Marie Weeks, Chairman - Entertainment Committee, of the Investment Women's Club of Philadelphia, announces a Luncheon - Fashion Show, to be held at the Philmont Country Club with Fashions by the Blum Store, Oct. 18, 1958.

### Boettcher Adds

(Special to THE FINANCIAL CHRONICLE)

PUEBLO, Colo. — Donald C. Cozzetti is now with Boettcher & Co., Thatcher Building.

## Customers' Brokers Elect New Officers

Alan C. Poole of Hemphill, Noyes & Co. was elected President of the Association of Customers' Brokers at the annual


Alan C. Poole


Gerald Wilstead


Leo J. Larkin


Albert P. Gross

meeting. Other officers chosen included Gerald L. Wilstead of Hallgarten & Co., Vice-President; Albert P. Gross of Bear, Stearns & Co., Secretary and Leo J. Larkin of Carl M. Loeb, Rhoades & Co., Treasurer.

Elections to the Executive Committee include: David Bell, Herzfeld & Stern; Daniel F. Davison, Hayden, Stone & Co.; Percy H. Dixon, Goodbody & Co.; Frank Dunne, Jr., Merrill Lynch, Pierce, Fenner & Smith; Alan K. Gage, Parrish & Co.; Leon S. Herbert, Hayden, Stone & Co.; John Leavy, Bache & Co.; Sam Minsky, Hardy & Co.; Walter G. Peterson, Josephthal & Co., and J. Harold Smith, Hirsch & Co.

## Tennessee Gas Transmission 5 3/8% Bonds Offered

A new issue of $50,000,000 Tennessee Gas Transmission Co. first mortgage pipe line bonds, 5 3/8% series due 1979 was offered for public sale on Sept. 16 by a nationwide underwriting group managed jointly by Stone & Webster Securities Corporation, White, Weld & Co. and Halsey, Stuart & Co. Inc. The bonds are priced at 100% and accrued interest.

Of the net proceeds of the sale, $16,000,000 will be applied on the payment of outstanding short-term notes issued under a revolving credit agreement, the proceeds of which were used in the company's expansion program; $10,000,000 will be deposited with the trustee under the company's mortgage to be drawn down against property additions, and the balance will be added to general funds.

The bonds are non-refundable at a lower rate of interest for five years. A sinking fund commencing in 1960 and extending to 1978 is calculated to retire 91% of the issue prior to maturity. The sinking fund redemption price will be 100. General redemption prices range from 105.38 to par.

At June 30, 1958 the company had in operation a total of 10,086 miles of pipe line, including 3,639 miles of main transmission line, 4,000 miles of parallel loop lines and 2,447 miles of extension and field lines. Its multiple system line begins in gas producing areas of Texas and Louisiana and extends into the northeastern section of the country, in which area the company sells or delivers gas to distributing companies for resale under long-term contracts. The company's eastern markets include the New York City metropolitan area. Principal customers are the companies comprising The Columbia Gas System, Inc. and Consolidated Natural Gas Co.

Representing a part of its expansion program, the company has received temporary authorization from the Federal Power Commission to construct additional facilities which would increase the daily delivery capacity of its pipe line system from 1,980,000 mcf to 2,260,000 mcf.

For the 12 months ended June 30, 1958 the company reported total consolidated operating revenues of $340,702,000 and gross income before interest and other deductions of $69,673,000.

## Phila. Women's Club To Hold Meetings

PHILADELPHIA, Pa.—The first in a series of Educational meetings, sponsored by the Investment Women's Club of Philadelphia, will be held September 22, 1958 in the Concourse Conference Room of the Philadelphia National Bank, Broad & Chestnut Streets from 5:30 to 7.30 p.m.

Mrs. Margaret Lawrence, Financial Analyst, Personal Trust Department of the Philadelphia National Bank, will be guest speaker. Mrs. Lawrence is a member of the Investment Women's Club & Financial Analyst of Philadelphia.

These educational meetings for the 1958-59 season will be held on the 4th Monday of each month with the exception of December.

The Educational program is open to the general public at the cost of $5.00 for the entire series of 8 lectures; or $1.00 for each single lecture attended to a total payment of $5.00, if not registered for the entire series.

Reservations should be made by mail or phone with Miss Alice M. Mason, Schmidt, Roberts & Parke, 123 South Broad Street, Philadelphia 9, Pennsylvania (KI 5-0650) as soon as possible due to limited space.

### Irving Lundborg Adds

(Special to THE FINANCIAL CHRONICLE)

REDWOOD CITY, Calif.—Everett W. Wheelwright is now connected with Irving Lundborg & Co., 710 Winslow Street.

## W. W. Hibberd V.-P. Of Trust Co. of Ga.

William W. Hibberd has been elected Vice-President of the Trust Company of Georgia. Mr. Hibberd is representative of the Banks Bond Department in New York City, with offices at 15 Broad Street.

### Two With du Pont

Donald E. Shippy and Daniel W. Desmond have become associated as registered representatives with the Brooklyn and Radio City offices respectively of Francis I. duPont & Co., member of the New York Stock Exchange, it was announced.

*Continued from page 3*

# Insurance Stocks Now For Defense aud Growth

uniquely strong technical position. The bear market in fire and casualty stocks began four years ago, in August of 1954—and ended in December last year. The liquidation accompanying long bear margets has run its course. While enjoying a rebound from the lows of the bear market, insurance stocks have done very little during the past six months and thus have digested their initial advance. Just as bear markets in insurance stocks usually last three years or more, so bull markets traditionally last for at least several years and sometimes longer. We are in the early stages of a new bull market now.

(2) Underwriting conditions are changing slowly for the better in fire and casualty insurance. It was the catastrophic underwriting losses of the years 1954-57, the worst years in the entire history of American insurance underwriting, which caused the bear market in insurance stocks. Losses aggregated more than $1 billion, during a time of prosperity in American industry as a whole. There is every expectation that underwriting will become progressively better as the full force of the corrective measures applied during the past year is felt. During the first half of this year the underwriting profit margin improved on average two percentage points, contrary to the reports from industry generally.

### Strong Defensive Position

Thus from the standpoints of technical market and fundamental business (underwriting) conditions, insurance stocks are in a peculiarly favorable position compared with most other stocks, at the present time. They can be said truly to occupy a strong defensive position. Let me recapitulate some of the reasons:

(1) Insurance stocks have had their bear market, the longest in insurance stock history.

(2) The underwriting losses which caused the bear market are beginning to disappear and the outlook is for profitable underwriting.

(3) Unlike many other industries, insurance is not plagued by an over capacity problem.

(4) Nor has it an inventory problem.

(5) Nor a labor problem.

(6) It is a business, in other words, that has had its grief, has been putting its house in order and has none of the problems facing other manufacturing concerns.

(7) If the substantial business upturn which the stock market seems to be signalling does not materialize, it is not difficult to foresee disappointed selling in industrial stocks. Conversely, another year or so of "recessed" business conditions, with a cessation of inflationary pressures, would be good for insurance underwriting and for insurance stocks. They are thus an ideal hedge at this stage of the stock market.

Claim costs represent the largest single item of insurance company costs, approximately 60% of the premium dollar. A stabilization of these claim costs during a period of upward rate revision would automatically create a desirable profit margin. Ten years ago, during the last big underwriting cycle, the underwriting profit margin moved from a low of 1.2% in 1946 to a high of 12.4% by 1949. Last year there was a negative underwriting profit margin off 5% and more. History could well repeat itself, as during the 1946-49 period, with a combination of stabilized claim costs and higher rates making an extraordinarily good profit margin.

### Defensive Qualities Stressed

The defensive qualities of fire and casualty stocks now I hope are apparent. They would actually benefit if the recent inflationary enthusiasm of the stock market is ill founded. It is not unreasonable to suppose, therefore, that profit taking occurring in the stock market as a whole would generate funds for defensive issues such as insurance stocks, which have not participated in the recent rise. As the Dow Jones industrials are poised for an assault on the all-time 521 highs, more cautious investors seem bound to seek the haven of insurance stocks. [Ed. Note: A new high was established on Sept. 15.] They are truly for defense at this critical juncture of the market.

What can be expected in the way of growth? Let us take two of the largest companies: Hartford Fire and Home Insurance. Both are among the largest and strongest financially in the country. Both have very safe dividends, Hartford's being covered 280% by investment income and Home's 180%. Hartford's dividend is covered an estimated 130% by income from bonds alone and Home's 70%.

During the past five years Hartford's investment income has risen 67% while the dividend has been increased 56%. Here rising investment income has brought an almost immediate response in higher dividends. Certainly a 56% boost in dividends deserves a growth stock classification! Home's investment income during the same interval has gone up 27% while its dividend has remained unchanged. During poor underwriting times it is more customary for insurance companies to maintain their dividends than to increase them. When prosperous underwriting conditions return, then substantial dividend increases are made. A return to prosperous underwriting conditions in 1959-60 could well bring about a boost of at least 25-30% in the Home dividend.

Let us go back on the record a bit further. Let us examine the five years immediately preceding those just reviewed — and these were prosperous underwriting years in 1948-52. Hartford Fire increased its investment income 71% while its dividend shot up 60%. Home raised its investment income 50% while its dividend soared 64%. Those were the happy times for stockholders of both companies. Certainly there was no question then that both were growth stocks!

Perhaps when we are talking of long term growth, we should go back further, another five years, making 15 years in all, approximately half a generation. And yet 1943 does not seem so long ago to most of us here. During the 15 years, 1943-57, Hartford's investment income rose 439% and its dividends to stockholders 150%. During the same interval Home's investment income gained 239% and its dividends to stockholders 67%. The record, of course, suggests that Hartford Fire has had greater growth than Home Insurance—and such is the case. However, the market adequately recognizes this fact, Hartford Fire sells on an approximately 1¾% yield basis at the present time while Home yields nearly 5%. During the last 15 years Home on average has yielded 2-3 times more than Hartford. For those who must "eat to live," and for whom yield is important, Home during the past 15 years has been a more desirable holding than faster growing Hartford. The Hartford stockholders found the pot of gold at the end of the rainbow, but the Home stockholders ate more amply in the meantime. In investing in insurance stocks, as with other securities, you must decide upon your objectives.

Or take two other well known companies, Insurance Company of North America and Continental Insurance over the past 15 years. The former has increased its investment income by 452% and its dividends to stockholders by 218%. Continental Insurance on the other hand has had a gain in investment income of 235% over the past 15 years and its dividends to stockholders have gone up 150%. Do you see what I meant earlier by inevitable long term growth? If Continental's newly acquired affiliate, Firemen's of Newark be included, then the figures become 356% rise in investment income and 156% in dividends.

Again the pot of gold seems to go to the faster growing company, Insurance Company of North America. But what about current income? Insurance Company of North America yields about 2.3% while Continental Insurance yields nearly 4%, almost twice as much. Again the investor must choose as to his objectives.

### Selects Stocks for Growth and Yield

If I were assembling five great growth fire and casualty insurance stocks I would include:

Insurance Co. of North America
Hartford Fire
Federal Insurance
St. Paul Fire & Marine
Continental Casualty

However, these stocks yield on average only 1.9%, are selling at 25 times last year's investment income and at a premium on average of 26% above last year's net worth or liquidating value. Rather an expensive price tag. Yet over the next 15 years, by 1973, I see no reason why investment income should not advance 400% and dividends to stockholders at least 200%. Is that not an inviting prospect for those wanting growth?

On the other hand if yield—a living wage—is a factor, I would look with special favor upon the following five insurance stocks:

Continental Insurance
Great American
Home
American
Aetna

These stocks yield on average 4.4%, are selling 12 times investment income and at discounts of 33% from net worth. They are estimable companies, with long record of dividends, but their growth has not been as great as the first mentioned group. The dividends on this group are covered an average of 200% by investment income compared with 220% for the greater growth group. It would be reasonable to assume that by 1959-60 and a return to profitable underwriting, the dividends of this group would be raised at least an average of 30% to achieve a yield of 5¾% based upon current market. Within 15 years, by 1973, the investment income of this group should have grown 200% and the dividends to stockholders at least by 100%. Such a return would be 8.8% on today's cost, surely a handsome prospect also.

### Many In-Between Stocks

There are many other good insurance stocks, both in the growth and the yield category, which I might have selected. And there are others which are "in between" —not growing quite as fast as the growth stocks or not yielding quite as much as the others—such as Northern Insurance, Merchants Fire, Northwestern National Fire, Glens Falls, U. S. Fire, Springfield, etc. Insurance stocks in other words are like the hats in a millinery store, there is one for almost every occasion—in fact an embarrassment of riches.

Selectivity is important, however. There are 25 different fire and casualty stocks which are legal investments for Maine Savings Banks, representing 21 different insurance groups. Unfortunately, two of my recommendations, Continental Casualty, a "blue chip" growth company and Aetna Insurance, a "yield" company, are not among them. As its names implies, Continental Casualty does not qualify because more than 50% of its premiums have been in casualty, chiefly accident and health business. Aetna Insurance "fails" the test because its capital and surplus is not at least 80% of its unearned premium reserve. Yet both companies are desirable — the former because it is entering a new era of growth and expansion and Aetna because its underwriting performance is improving, it has a tremendous earnings potential and may be involved in a profitable merger. It is difficult to write a law which covers all contingencies.

In general, I believe the Maine law with regard to insurance company stocks is good. It is simplicity itself, as you may recall, with four chief provisions: the insurance company must be (1) authorized to do business in Maine; (2) at least 50% of its premiums must be fire and (3) not more than 33⅓% auto liability or property damage; and (4) capital, surplus and voluntary reserves must be at least 80% of the sum of all fire unearned premiums, plus one-half of accident and health and liability unearned premiums. There has probably never been a law which did not eventually require some amendment — and both Continental Casualty and Aetna Insurance appear desirable of inclusion at the present time.

### Examines Possible Pit Falls

Are there any pit falls in the insurance picture? What about inflation or competition?

The disastrous underwriting experience of the past four years has been due to just these causes: inflation and competition plus acts of God. The latter were the hazardous hurricanes of 1954 which cost the companies more than $250 million.

Inflation has been the root cause of the underwriting difficulties. Claim costs have risen faster than insurance rates which represent the price of the product. It does not require much imagination to observe what has been happening and to adjust rates upward to compensate for this inflationary trend. The principle of a trend factor in rate making has now been introduced and accepted by almost all state authorities. Rates are now based not upon last year's loss statistics but are modified by the estimated cost of claim settlement in the future. The principle of the trend factor therefore should enable the companies to keep abreast of the inflation of the future—just as General Motors or the oil companies can keep abreast. The length of policies has been shortened and in some states the five year policy for fire has been eliminated. There is more talk of a six months' policy for certain classes of insurance, so that the rate structure would be more flexible.

There is no sound reason why the insurance business cannot live with inflation just as other businesses. In fact over the years insurance stocks have proven an excellent hedge against inflation because premium volume tends to rise with the price level.

### Cutting Cost of Commissions

Increased competition by new insurance companies writing business directly, without agents and their commissions, have also made inroads upon the old line companies. Under the lash of hard times these past four years, insurance executives have been taking a good hard look at their commission structure and have decided that their cost of business must go down. Commissions on automobile business therefore have been cut from 25% to 20% in most sections of the country for future rate filings. For the less desirable business, male drivers, unmarried and under 25 years of age, in many geographical areas the commission has been reduced to 15%. The competitive position of the insurance companies has been strengthened by these changes.

Is there any absolute certainty that underwriting will become profitable again so that insurance stocks will again regain popular favor? In the world of investment there is nothing absolutely certain. Nothing is absolutely so, to borrow, once again the language of the King of Siam. But if the past is any criterion, and it should be at least a guide, very unprofitable underwriting periods have always been followed by excessively profitable ones. This is because the various rating laws of the states virtually guarantee an underwriting profit over a period of years. And also because the forces which made for unprofitable underwriting are gradually reversed and changed so that underwriting turns profitable again. Remember, no insurance company is obliged to underwrite at a loss. Sooner or later the price of insurance goes up, other adjustments are made, and the underwriting ship rides on even keel again.

Great bull markets in insurance stocks have always accompanied profitable underwriting cycles which have in turn followed depressed underwriting periods. Ten years ago when underwriting became profitable in 1948-49, fire and casualty stocks shot up 41% while the Dow Jones Industrial Average crept only 11% higher. History could very well repeat itself. Insurance stocks bought today or tomorrow would look very cheap indeed compared with reasonable expectations for 1959-60, to say nothing of 1973. As defensive investments they have great merit now. As growth investments, they are proven over the longer term.

And on top of these two recommendations—defense and growth —they are the cheapest in relation to underlying values than at any time in the past 10 years, excepting during the bottom of the bear market last fall.

There used to be a saying "millions for defense, not one cent for tribute." May I modify this to say —millions —or thousands or hundreds—invested for defense purposes in insurance stocks now, will in a few years prove a tribute to the wisdom of those investing in them. And please recall: the payoff in insurance stocks is that the stockholder does eventually and inevitably get paid—and increasingly!

## Hallett Appointed

John F. Hallett, Vice-President of The First National Bank in St. Louis, was recently appointed to a four-year term on the St. Louis Metropolitan Sewer District Board of Trustees.

Hallett has served as director or chairman of many St. Louis civic, charitable and industrial projects and is a past president of the Navy League of Missouri and the St. Louis Society of Financial Analysts.

## With E. F. Hutton Co.

(Special to The Financial Chronicle)

LONG BEACH, Calif.—Roy E. Loomis has rejoined the staff of E. F. Hutton & Company, 219 East Broadway. He was recently with Blyth & Co., Inc.

*Continued from page 5*

# The Business Outlook

Consumer expenditures depend basically upon the consumer's ability to spend. We find that in July employment and wages and personal income were at very high levels for that month, even though unemployment is at a relatively high level in relation to the total workforce. As a result of 65 million employed at high wages, consumer spending currently is being sustained close to its previous record high volume, with personal income setting a new record in July.

One important characteristic of consumer spending habits should be considered. Consumer spending in the postwar period has manifested the wider distribution of rising incomes that has characterized the period. In the past two downturns—1949 and 1953/54—consumer spending was fairly well maintained. This reveals two fundamental characteristics. (1) They tend to be nondiscretionary in nature, i. e., they are for essentials such as food, clothing, heat and light, medical care and transportation. (2) They also tend to be nondeferable. The bulk of these expenditures are for essential consumer services. Unless incomes decline precipitously, or are at a reduced level for a extended period of time, the aggregate volume of consumer spending tends to be maintained.

(2) **Government Expenditures:** Now for the second main segment of our economy — all levels of government expenditures—which account for 20% of total national production. We know that Federal Government expenditures are going to be higher this year, especially outlays for military purposes. Spending by state and local governments has traced a continuous rising trend for the past 14 years, and it is expected that this trend will continue in 1958.

Total government expenditures —Federal, state, and local—should be higher this year.

(3) **Business Expenditures:** The third main area of our economy —business expenditures—account for the remaining 15% of our total production. The Department of Commerce has estimated that spending by business for new plant and equipment will decline by about 20% this year.

Business also purchases goods for inventories. Inventories have been declining for several months. This has had a dampering influence on business, for as new orders declined, manufacturers curtailed production and employment.

With expenditures on plant and equipment and on inventories declining, business expenditures are expected to be lower in the coming months. This will have a depressing effect on business.

### III

### Five Areas of Uncertainty

Now from this aggregate approach, we can see that spending in the three main areas of our business system are moving a little higher at this time in the government sector, lower in the business sector, and about unchanged to possibly a slight upward trend in the consumer sector.

As I have pointed out, this type of an analysis is an aggregate approach to our economic system. However, within the aggregates, industries and businesses show much variation. Not all businesses and industries are going up at the same time, and not all are going down at the same time. There are some danger spots in the business picture, and we should examine what at this time are five areas of uncertainty in the business picture at this time.

(1) **Automobile Production** — Automobile production and sales are substantially under a year ago, and the automobile business will be a question mark until there is evidence of widespread public acceptance of the 1959 models.

(2) **Steel Production** — Steel production is averaging only about 64% of capacity.

(3) **Corporate Net Profits**—Corporate net profits are lower and the narrowing profit margins of business is certainly a disturbing factor in today's business picture.

(4) **World Conditions**—We must anticipate continued instability in the international situation, and expect many parts of the world to be subject to unrest and, as a result, receptive to communistic and other panacea type of propaganda. In addition to political and social factors, rising debts, falling dollar reserves, chronic price inflation, and mercurial governments, hardly are constructive economic factors abroad.

It may very well be that rapidly changing conditions abroad will be an important determinant of the direction of business activity in this country during the rest of 1958.

(5) **Price Inflation** — At this time the foremost problem facing the American people is the problem of inflation. All segments of the economy—business, labor and government—share the responsibility to preserve the American public's faith in the integrity of its money. History teaches us that in those instances where this integrity has been destroyed and inflation has run rampant, economic chaos has resulted. For example, in American history there was the Confederate inflation and the Revolutionary War inflation. There is the experience of Germany in 1920-23, and, more recently, postwar Greece and Hungary, not to mention the current experience of countries like Brazil and Chile whose price levels have risen 106% and 527% respectively during the four year period 1953 to 1957.

Fostered by the school that believes a two or three per cent annual price rise is essential to our well-being, the idea has gained acceptance that a steady but slow erosion in the value of the dollar is inevitable and is necessary for continued prosperity. The doctrine of creeping inflation is superficially tempting and has gained acceptance by many because individually we would like to have higher prices for our particular products, and see our own income increased. But when thought of in terms of the economy as a whole, the notion of a 3% annual price increase strikes at the very foundation of our well-being. It is a transcedent responsibility of all segments of the economy—business, labor, government, and consumers — to cooperate in a vigorous attach on the problem of inflation. This is particularly true in view of the constant effort in some quarters to wean the public away from a belief in price stability and to persuade them to accept a slowly but steadily rising level of prices as the best assurance of economic stability.

### IV

### Conclusion

Now that we have reviewed the strong and weak points in the economy as they appear to be today, let's attempt to draw some conclusions about the outlook for the next few months.

There are a number of factors of underlying strength in the economy which should assert themselves during the rest of the year.

(1) **Construction**, which last year was of record dollar volume, is expected to increase further in 1958, and in July outlays set a new record for that month. The building of roads, schools, and other public projects will be continued at high levels, and a record high rate this spring of FHA applications for home financing and a substantial increase over last year in requests for VA appraisals suggest an improved rate of residential construction activity in the coming months.

(2) **Inventory liquidation** accounted for two-thirds of the drop in business activity between the third quarter of last year and the second quarter of this year, as measured by the total output of goods and services. Since there has been no decline of these proportions in total buying, we have built up a condition where goods have been sold at a higher rate than they were produced. This has resulted in a gradual increase the last three months in new orders to manufacturers, and is having a stimulating effect on business activity. As new orders are received, production schedules are stepped up and employment and incomes rise.

(3) **Federal Government spending**, especially for defense purposes, will be higher. In addition, state and local government spending may be expected to continue its consistently rising pattern of the past 14 years. Larger government outlays will be an important factor giving rise to higher employment, incomes and increased demand for goods and services later in the year. The inflationary, as well as the expansionary, possibilities of the current high magnitude of government spending must be recognized, however.

(4) **Retail sales** are holding up fairly well, except for automobiles.

(5) **Consumer spending**, as we have seen, will be maintained at high levels.

In general, I expect business in the coming months to continue the improvement that became evident in May. While a fast, unsustainable rate of advance, such as in 1955 and 1956, may not be expected (nor is it desirable, as our objective should be to avoid rapid economic movements either upward or downward) the next six months should see a mild, gentle expansion to substantially high levels of aggreate business and economic activity.

## San Diego Imperial Pfd. Stock Offered

J. A. Hogle & Co., Salt Lake City, Utah, on Sept. 16, 1958, offered publicly an issue of 70,000 shares of 5½% cumulative convertible preferred stock of San Diego Imperial Corp. at par ($10 per share).

Net proceeds of this financing will be used to retire $550,000 of promissory notes. These notes represent borrowings of $250,000 which were applied toward the purchase in November, 1957, of South Bay Savings & Loan Association stock, and of $300,000 which were applied toward the purchase in February, 1958, of South Bay Savings & Loan Association stock.

## Now With F. I. du Pont

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Robert T. Strouse has become connected with Francis I. du Pont & Co., 416 Fifteenth Street. Mr. Strouse was previously with Reynolds & Co.

## Joins Fairman Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Patrick N. MacIntyre has joined the staff of Fairman & Co., 210 West Seventh Street, members of the Pacific Coast Stock Exchange. He was formerly with J. Logan & Co.

# Bank and Insurance Stocks

By ARTHUR B. WALLACE

## This Week — Bank Stocks

While the rate of climb out of the recession is by no means rapid (and probably it is well that it is not) there are many signs and indices that encourage us to believe that we are in the early stages of a real recovery. A look at the headlines says much. From the Wall Street Journal a few days back: "August Steel Output Sets '58 High"; "Rise Due in Week Despite Holiday" [Labor Day]. Another: "Bouncier Business. Most Companies Report Gain in Sales" and: "Orders and Sales of Manufactures Were Up in July." And we could go on in this vein.

Also in the financial headlines we have seen in recent weeks reports of increases in interest rates. The hike in the rediscount rate by the Federal Reserve Bank of San Francisco, now followed by a number of the others in the system, was, probably tuned more to its psychological effect than anything else; but it was an indication of better conditions too. Increases in the discount rate are not the custom in a declining economy; and it is not improbable that the Reserve Board is being forehanded in its effort to prevent too much fuel being piled on the inflation fire.

Regarding rates, the increase of ¼ of 1% in the rediscount rate was followed by the prime lending rate being put to a 4% level from 3½% by the large New York banks. In other words, if money should tighten to the point where the banks would be going to the Reserve to borrow, they would be doing so on a more favorable basis than before, for they would be borrowing at 2% and lending out their borrowings at 4%. And, of course, as all rates other than the prime are graduated from the prime figure upward, the full benefit of the increased rates would accrue to the banks.

An example is that not only did Chase Manhattan Bank and Guaranty Trust lead the way last week in hiking the prime rate, but Chase announced a rise in the rate to brokers and dealers for carrying securities in loans.

Bank earnings during the business slow-down did not suffer anything like the drop that was experienced by a great proportion of industrial companies. In fact, they were of a trivial nature where they did occur, and in many cases the uptrend that had been in effect was continued.

Also, whereas there have been frequent dividend cuts among even some of the larger and stronger industrial units, not one of the leading New York City banks reduced during the business decline; and several of them either declared extras or increased.

Examples: Guaranty paid an extra of 80 cents at the last year-end; Hanover Bank in early 1958 issued an 11 1/9% stock dividend, and as the old dividend rate of $2 was continued, the effect was an increase of 11 1/9% for the holder of the shares at the time of the declaration; Empire Trust, about the same time, announced a 4% stock dividend, which translates into a like increase in the cash payment, as its old rate of $3 was maintained.

Added to the condition of better interest rates is the fact that at this season of the year business loans begin to increase because of two main factors, movement of crops from the nations harvest and the building up of inventories by business in anticipation of the trade of the holiday season. Already we have seen several weekly increases of loans to business, and normally this will develop more momentum. This all works toward better earnings for the banks, and it is being recognized as we have had consistently better prices among the stocks of the leading banks.

Top grade industrials once sold at 30 to 40 times earnings, and even today quite high price-earnings ratios among the blue chips are common. The bank shares never did enjoy anywhere near such relationships (short, of course, of the crazy days of 1929). Not only have they had to be satisfied with ratios mainly between 10 and 20 times; but for several years until, let us say the end of 1957 there was a progressive lessening of this ratio.

Surely from the conservative investor's viewpoint, price-earnings ratios in the 10 to 13 times area should make bank stocks look like good values. This department feels that they are, and that the buyers of them at present price levels are going to be well satisfied with their positions in them as time passes. The present buying in bank stocks is not without significance.

## With R. J. Le Vesque

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Charles Mittleman has been added to the staff of Russell J. Le Vesque and Associates, 321 South Beverly Drive.

## Beckman Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LODI, Calif.—Howard H. Newman has become affiliated with Beckman and Company, 321 No. California Street.

## 2 With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—James McClelland and Walter J. Willson, Jr. have become associated with Dempsey-Tegeler & Co., 210 West Seventh Street. Both were formerly with J. Logan & Co.

## Frederick H. Douglas

Frederick H. Douglas, senior partner of F. H. Douglas & Co., New York City, was a victim of the wreck of the Jersey Central commuter train on Sept. 15. Mr. Douglas was 79.

*Continued from page 16*

# General Outlook for Chemical Industry This Year and Next

a reduced chemical sales volume. First quarter chemical sales were 7% below the same period a year earlier. However, this was a better showing than sales for all manufacturing which were off 12%. Second quarter chemical sales were 1.6% below the same quarter of 1957. As a result, first half 1958 showed a drop of 4.4% compared with first half 1957.

"Despite reduced chemical industry sales, the FRB production index for chemicals and allied products during the first five months of 1958 averaged 180, only 5 points, or 2.7% below the same period a year ago. By comparison, the change in all industrial production in the same period was quite marked, with a drop of 17 points, or 11.6%. Industrial chemicals averaged a production index of 186 for the first five months this year, 9% lower than the same period last year.

"Inventories of chemical manufacturers, adjusted for seasonal activity, rose 6% in 1957, which is considerably less than the 11.5% increase during 1956. The ratio of stocks to sales in 1957 ranged from 1.8 to 1 in January to 2 to 1 in December, the same range as in 1956. Chemical inventories reached a new high of $3.9 billion in March 1958 and declined to $3.7 billion in June, representing sufficient stock for almost two months' sales. This is still considered high by some industry executives.

### Employment

"In 1957 the chemical industry's total number of employees averaged 1.4% more than the year before, but its production workers averaged 1.5% less. The drugs and medicines segment of the industry had 1.2% more workers in 1957 than in 1956, largely in order to make much needed vaccine to ~~combat Asian and other types of~~ influenza. The first half of 1958 saw a further drop of 6.5% in chemical workers compared with the first half of 1957; at the same time, all manufacturing employed 11% fewer workers.

"The average weekly wage of the chemical production worker in 1957 rose 4.6% above 1956, compared with an increase of 3% in all manufacturing. In 1948 the chemical worker's average weekly wage was $56.23, whereas in 1957, a decade later, it was $91.46. Much of this increase, but not all, has been due to inflation. By comparison, in 1948 the worker in all manufacturing industries made $54.14 per week, and in 1957, the figure was $82.39. Workers in the inorganic chemicals segment of the industry averaged 4.9% more pay per week in 1957 than in 1956, and organic workers 4.2% more. The industry's average work week was 41.2 hours in 1957 against 41.3 the year before. The Cost of Living Index of the Bureau of Labor Statistics, based on the 1947-49=100 average, rose 3.4% in 1957 over 1956. During the first half of 1958, chemical weekly earnings again went up, averaging 4% over the same period a year ago. At the same time, the Cost of Living Index hit a new high of 123 during the first half of this year.

"Wages negotiated in the chemical industry during 1957 continued their upward spiral. Those negotiated during the first six months of 1958, while substantial were not on the level of the prior year, however. With business in a repressed state, continuance of the wage spiral is hard to understand. Apathy to inflation on the part of both the Government and the public has created economic problems that will not be resolved unless a firm stand is taken. Apparently, a majority of the population does not now want this.

"Although several serious stoppages ocurred during the period outlined, most chemical wage negotiations were conducted amicably and in a range varying from 5 to 12 cents per hour during 1957, and 6 to 8 cents per hour during 1958. Many of the settlements provided for wage increases to take effect at a later date. Improved health and welfare plans, an extra holiday, and increased shift differentials were among important fringe benefits considered.

"With reference to technical manpower, a large majority of the respondents state that there is no shortage of chemists and chemical engineers at the present time. Those who feel a shortage does exist put their emphasis on high quality and special skills. The outlook for 1959 does not anticipate any over-all shortage, although there are probably specific needs in various segments of the industry.

### Wholesale Prices

"Although chemical prices remained fairly steady for several years, 1957 inevitably reflected increased costs of such overhead items as raw materials, transportation, containers, labor, and the general inflation currently existing. Each quarter of 1957 saw a slight rise in the BLS Wholesale Price Index for chemicals and related products, with an average of 109.5 for the year, 2% above 1956. All commodities continued upward at a higher rate of 2.8% in the same period. The over-all chemicals index hit its highest average of the past 10 years with 110.7 in the first half of 1958, or 1.5% above the same period a year ago, and 0.5% above the last half of 1957.

"The chemical industry's traditional practice of reducing prices on new products as markets expand and volume conditions warrant is becoming more and more difficult to maintain. Much of the industry is now grappling with the problem of how to maintain prices at their current levels in the face of growing competition and the inexorable pressure of creeping inflation. The issue must be met either by increasing sales volume or by cutting costs through the use of improved processes, more efficient equipment, and improved productivity. This is receiving top level consideration. And some improvement can be expected, particularly as the output of individual plants expands above break-even points and reaches reasonable capacities.

### Assets and Profits

"Total assets of the chemical industry grew steadily in 1957 and at the end of the year amounted to $20.2 billion, a new high and 6% above the last quarter of 1956, according to the Securities and Exchange Commission. The figure for the first quarter of 1958, however, showed a decline to $19.8 billion.

"After-tax profits in the industry were 7.6% of sales in 1957 as compared with 8% in 1956. All manufacturing, on the other hand, was considerably lower with a profit-sales ratio of 4.8% in 1957 against 5.2% in 1956. Chemical profits after taxes hit a two-year low of 6.4% in the first quarter of 1958, as compared with 7.8% in the first quarter of last year, with many companies showing a sharp decline. The picture was similar for most industries, however, since the SEC reported that 18 of the 20 manufacturing industries in the durable and nondurable goods groups had decreased profits in the January-March 1958 quarter compared with the same quarter a year ago. Results for the second quarter of 1958 showed a slight but encouraging upturn in chemical company earnings over the first quarter. The usual seasonal downtrend in the summer probably affected third quarter earnings. But the overall outlook for 1958 is somewhat brighter now than at the start of the year.

### Expansion

"Chemical firms spent $1.7 billion for new plant and equipment in 1957, 18% above the previous year, according to Securities and Exchange Commission reports. This amount represented $3,205 per production worker, compared with $1,235 per worker in all manufacturing, and should not be confused with over-all investment per production worker, which is at least 10 times greater. Anticipated new plant and equipment expenditures originally reported by the SEC as scheduled for the chemical industry in the first half of 1958 showed a good increase over the same half a year ago. However, the SEC revised its earlier estimates as the second quarter progressed and at midyear expected a 1958 total of approximately $1.4 billion, about 21% below 1957. This would be slightly under 1956 but higher than 1955.

"The maintenance of such high level expenditures exceeding $1 billion a year for eight successive years is probably the best proof of the chemical industry's confidence in its own continued growth and an early resumption of improved business activity. Farsighted expansion to maintain competitive position and exploit new products, while resulting in temporary overproduction in some cases, nevertheless, will pay off in the near future. As an example, the current overcapacity in ammonia-producing facilities, according to expert opinion, will shortly be a thing of the past. This source foresees a need to expand production by 80% to meet the expected requirements by 1975.

### Research

"Despite the recent showing of business, the chemical industry continued to pour millions of dollars into research and scientific investigation, currently estimated at more than $500 million per year. The constant need of mankind and industry for new products and improvement of old ones is an ever present challenge to the chemical industry. The vast accomplishments along these lines in recent years have become bywords in the everyday life of man —foremost among which are probably the remarkable advances contributing to good health and increased longevity.

"So important has research become to chemical companies that the approximate 2% of sales allocated for this purpose a decade ago has currently increased to 3 or 4% in many instances. In the case of pharmaceutical companies, the percentage is even higher. Equally encouraging has been the relatively new emphasis placed upon basic or fundamental research — a gamble, admittedly — but a promising one. One large firm which allocated 4% of its sales for research last year earmarked 20% of these funds for fundamental work not only in the chemical branches but in physics, mathematics, biochemistry, microbiology, and plant physiology. MCA believe this is a wise course, since it encourages freedom of association with scientific societies and of publication and also renders industrial laboratories attractive to creative minds.

"In announcing that his firm's 1958 research program was budgeted at 4.2% of domestic 1957 sale, an increase of over 5% from that of the previous year, the vice-president of another member firm stated: 'But dollars are not the sole measure of research investment. In the past five years our total employment increased 28.5%; yet, in the same period our technical personnel have increased 39.5%, and our technical personnel in research **per se** have increased 49.5%. Our human and our financial resources are equally committed to a research program from which we want and expect practical results.'

"Recent research spending has not been limited to the search for new products. Increasing competition and rising costs have resulted in the earmarking of substantial funds to improve both product performance and quality in long-established tonnage products. Recently, a number of firms have instituted operational research activities designed for the development of techniques that can assist management in its administrative responsibilities. And, as Vannevar Bush points out, it is now recognized that scientists can themselves be pretty useful people in corporate work, and that their experiences and backgrounds prepare many of them for top management positions, where the highest quality of wisdom and judgment is required.

"Reference has already been made to the opinions of the executive contacts as to the current adequacy of supply of scientific and technical personnel, except in the case of exceptional skills. James R. Killian, Jr., recently emphasized this, and the importance of detached research, by stating: 'More first-rate research is now done in the sciences in the United States than in any other country in the world. Our deficiency is at the very top, in the area over and above the first-rate where the great intellectual breakthroughs occur, where great concepts and discoveries originate. . . .' The chemical industry knows this and will supplement its research programs with additional fundamental investigations.

"As a portion of MCA's survey, executives were queried concerning product lines which they felt held the most promise for 1959 and future years. Pharmaceuticals, agricultural chemicals, plastics, synthetic fibers, fluorine chemicals, exotic fuels, reactive metal derivatives, and improved elastomers drew the most votes. Other product lines mentioned include boron, lithium, rare earths, electrochemicals, polyols, petrochemicals, synthetic lubricants, silicones, surface-active agents, and urethanes. Strangely enough, those old sandbys—basic and fine chemicals—drew a number of votes.

### Nuclear Energy

"Almost all executives contacted say there has been little or no change in their opinions relative to the impact of atomic energy applications upon their companies in the past year. Many chemical firms now use nuclear energy and radiation as powerful laboratory research and process control tools, and they believe significant strides are being made in these fields. A few examples: radiation of plastics to get cross-linking, exploration of the mechanism of chemical reactions, development of new catalyst techniques, and continued use in medicinal and biochemistry research. It is felt that atomic fusion, if controlled, would make lower power costs possible, and this could effect a reactivation of the electrochemical industry.

"While much interest is expressed in atomic energy, many chemical firms anticipate little actual application in their company operations for some years to come, possibly not for a decade. Outstanding commercial problems are those of technology and economic in meeting the competition of present successful production techniques and already established prices. Very few consumer products made by the use of nuclear radiation have yet been offered to the public because radiation methods are still too expensive. Although nuclear power is technically feasible, it cannot become economically available until such problems as fuel production, fuel reprocessing, and waste disposal are solved.

"Some feel that the atomic energy field will grow and develop to its full potential only when it is completely exposed to the normal commercial incentives of private enterprise.

### The Soviet Proposal

"Recent news on expansion of U.S.S.R. chemical industry is of far-reaching importance. Last May, the Soviet premier proposed an eight-year chemical expansion plan costing some $25 billion, involving, among other things, the erection of extensive facilities to make man-made fibers, synthetic rubber, and plastics. A subsequent message from the premier to President Eisenhower contained proposals for Soviet procurement in the U. S. on an extensive scale of equipment, technical data, and know-how for the production of these and other chemical items. The proposals have since been supplemented by Soviet contacts with individual U. S. chemical firms. Similar contacts have been made elsewhere in the West.

"MCA's view is these proposals are fraught with danger, both for the U. S. and the Free World. It fears the consequences to the national security and to the domestic industry of licensing and delivering to the U.S.S.R., either by public or private means, know-how which is not made generally available throughout the world by the individual company possessing it. Involved, in addition to the security aspects, are the possibilities of futile competition of Free World firms against the Soviet state, dumping of products abroad for economic gain, and promiscuous transfer of such acquired know-how to other nations within the Soviet orbit. The possibilities of strategic and economic dangers inherent in this entire matter call for the most careful consideration on the part of Government and the chemical industry.

"One of the greatest advantages the Free World has today over the Communist bloc nations is its technological superiority and know-how in industrial chemistry. True, the Soviets can develop this in time. However, this time factor should not be bartered away lightly. In the best interests of the United States, our Government should not modify or relax the present restrictions and controls embodied in the Export Control Act; further, that a considered national policy should be enunciated, based upon all factors involved."

# N.Y. Municipal Club To Offer Course

The Municipal Bond Club of New York will offer a course on Principles and Practice of Municipal Bond Finance from Sept. 25th until June 1959. Classes will meet each week on Thursday from 4:15 to 5:15 p.m. Albert J. Milloy, Assistant Vice-President of the First Boston Corporation, will conduct the course again this year.

Included in the course will be principles, practices and ethics of the municipal bond business; growth; volume divisions; analysis; underwriting, trading, and sales, distribution and advertising.

All sessions of the course will be held at the offices of First Boston Corporation (15 Broad Street, New York City); registrations for the course, for which there is no charge, should be made with Mr. Milloy at First Boston.

*Continued from page 15*

# The Mortgage Outlook

not endure forever. But it will endure a lot longer than it needs to unless we speed along the day of enlightenment. This we can do only by taking every opportunity to speak and write and testify on the advantages of the free market, by supporting those in a seeking office who confess allegiance to the principles of the free market, and by really believing in what we advocate. There is no place in this arduous crusade for those of little faith who falter when the questions get rugged.

**Opposes Omnibus Housing Bill**

Third, we should do all that we can to stop the practice of including legislative matters affecting private credit in an omnibus bill dealing will all sorts of subsidy, grant, and direct loan programs. The interests of private credit have never had anything to gain from being included in an omnibus bill. On the contrary, it is only those who would undermine private credit that have anything to gain from it. The omnibus housing bill was an invention of the advocates of public housing, who, after failing to gain popular support for their programs, discovered that they could succeed in their aims by tying their proposals to needed and popular measures affecting private credit.

In this way, year after year from 1949 onward, FHA was made a hostage to those whose only interest in private credit was to use it as a vehicle for getting their own schemes through. This year something happened to upset the technique. Amid the sudden upsurge in the demand for insured mortgages, FHA's insuring limits were abruptly reached. Either the provision for increasing the FHA authorization had to be separated from the omnibus bill or the housing boom nipped in the bud. Both alternatives were unpleasant for the advocates of broader government intervention, but, with the passage of omnibus legislation obviously months away, the risk involved in the second choice was too much for the most stalwart interventionist to assume. The one really critical matter—the FHA authorization — was thus taken care of separately as it should have been. With that safely accomplished, the administration's bargaining power was enormously enlarged. The rest of the legislation could be vetoed without adverse effects on the economy and without even seriously disrupting the affected programs; and everybody knew it. We have seen the results. The giveaway schemes simply could not stand on their own feet, and once the continuance of FHA was provided for, their inherent weakness was revealed.

This is a lesson we need to take thoroughly to heart. And don't think our adversaries are not also taking it to heart. Our Washington representatives have heard them already declare that they won't be caught a second time this way. So we may expect them next year to make a renewed effort to enact even a more extravagant omnibus bill. The perennial FHA authorization will be included, and this time it will remain in to the end if it can be accomplished. They know they can't get what they want with any other technique. It should be our purpose to block this move if it is possible to do so and to do what we can to see that measures dealing with private credit are treated independently.

**United Mortgage Industry Front**

Fourth, we in the mortgage credit industry should stand together for the attainment of a common purpose. The association that I represent is ready now, as it always has been, to sit down with any other group to consider any means of strengthening the private home mortgage credit system so as to make it better serve the housing needs of the American people. While we have set forth our views in a formal statement of policy, we are not doctrinaire in our position. It is the main issue that we are devoted to, not the details. If FHA can be made the kind of instrument for the private market that it was intended to be, we are for that. If someone has what he thinks is a better method of meeting the same objectives, we are open to persuasion. Our only stipulation is that participation in any alternative plan be as broadly equitably open as is the FHA.

So much for our problems. While we are solving them, we still have our day-by-day work to do. Incidentally, that in itself is one of our problems: our adversaries always seem to have plenty of time to spend undermining, while we necessarily have to pay some attention to business. On the whole, our business prospects are good. The easing of credit in the early part of the year revealed clearly that there were no serious maladjustments in the demand for real estate, whether in the form of houses or apartments, shopping centers or office buildings. The response to a greater availability of mortgage money for all these classes of property was immediate; and I would expect this year to be one in which building and mortgage lending will generally be on a decided upswing.

**Increasing Private Housebuilding**

In no classification is the situation clearer than it is in residential building. From a low point in February on a seasonally adjusted basis, private housebuilding has had a strong and continuous rise, mainly in the area affected by FHA insured home financing. We are headed for a total of easily 1,050,000 new private nonfarm dwelling units—houses and apartments—started this year; and it might well run higher. Next year, so far as potentional demand is concerned it could well come near the mark of 1,200,000. We have only to look at a few factors to assure ourselves of the strength of the housing demand.

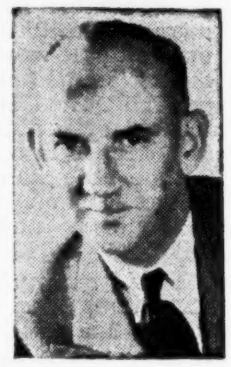
Vacancies are low. Mortgage delinquencies are low. Neither of these was much affected by the recession even in the parts of the country where the pinch was most severe. Housing certainly has no problem of inventory liquidation. Then we may note that the urban part of the country is still growing. In spite of the fact that we are now in a period of a lessened family formation, because of the low birthrate of the 1930s, the net number of new nonfarm households both this year and next will exceed 900,000. We may also note that the number of nonfarm families with incomes of $5,000 or more has been growing much faster than the total number of families—well over a million a year, according to the estimates of the Department of Commerce. On top of this, we are told by the Bureau of Census that, over the last six years, an average of about 350,000 dwelling units a year have been removed from the market in one way or another. Advances in the highway and urban renewal programs are raising this figure every year.

All one has to do is to add together growth and destruction to see that the demand is huge. As mortgage men, we shall have plenty of work to do to come near to meeting the potential. The question in my mind is not what we might do, if we were free to do it, but how much we can do with the kind of tools we have to work with. The wider application of the Certified Agency Plan will help a great deal. The assurance of a market rate of interest would help a great deal more.

So I find myself back with the political considerations with which I started. Regrettable as we may think it, this cannot be avoided. In our business politics and economics are inextricably mixed. If we are to perform our economic function well, we shall have to be unremitting in our effort to advance our political objectives.

## Henry H. Heimann

Henry H. Heimann, executive vice president of the National Association of Credit Management passed away September 12th of a heart attack at Winnipeg, Canada, immediately after delivering a key-note address at the North Central Credit Conference. Mr. Heimann had just left the assembly room when he was stricken. Mr. Heimann, one of the nation's leading economists, was born in Aviston, Illinois September 26, 1891. He first served the National Association as a director, then as Central Division Vice President; he was elected President; he was elected President in 1931, executive manager later that year, and in 1950 Executive Vice President.



Henry H. Heimann

He entered business in the accounting field, and was successively auditor, credit manager, treasurer and vice president of the Kawneer Company of Niles, Michigan. The Federal Government called him to business management service in various posts. In 1934 he was chairman of the U. S. Shipping Board. He served on the Committee which formed the NRA, and was a charter member of the Business Advisory and Planning Council of the Department of Commerce. Mr. Heimann was a contributor to Credit and Finance Management Magazine, and was the author of a monthly business review which was widely quoted in newspapers and financial magazines.

## Income Planning Formed

ALLENTOWN, Pa. — Income Planning Corporation has been formed with offices at 3300 West Hamilton Boulevard to engage in a securities business. Officers are Weston C. Vogel, President; Alan W. Graham, Vice-President and Treasurer; and William E. Schants, Secretary. Mr. Vogel and Mr. Graham were formerly with Pennsylvania Funds Corp.

## Opens Inv. Office

JAMAICA, N. Y. — Sandra J. Lind is conducting a securities business from offices at 144-24 Village Road. Miss Lind was formerly with North American Planning Corporation and Gabriel Gladstone & Co.

## Realty Exch. Formed

(Special to The Financial Chronicle)

DENVER, Colo. — Realty Exchange Guaranty Co., has been formed with offices in the Midland Savings Building to engage in a securities business. Officers are Kenneth H. Gay, President; George Baily, Vice-President; Carl Cade, Treasurer; and Harold Moore, Secretary.

# *Public Utility Securities*

By OWEN ELY

## Southern Union Gas Company

Southern Union Gas serves natural gas to 66 communities in two districts in New Mexico, one in West Texas and others in Arizona, Colorado and Texas. Some of the more important cities include Carlsbad, Clovis, Albuquerque, Santa Fe and Alamogordo in New Mexico; El Paso, Austin, Galveston, Port Arthur and Pecos in Texas; Durango, Colorado; and Flagstaff, Arizona. Direct utility sales to consumers account for 87% of revenues, and wholesale sales to pipelines and other distributors 13%. Residential sales provide nearly half of direct utility revenues, with a substantial heating load.

The area is not heavily industrialized. There are oil refineries around Port Arthur, potash and uranium mines and mills in New Mexico, and important military activities in the latter state. Defense developments in rocket and missile experiments have accelerated the growth of New Mexico's service area and production of large uranium reserves at Ambrosia Lake is also a factor. During the past year the company's customers increased by 15,340, a gain of about 5%.

Much of the area is growing rapidly and indexes of business activity in the communities served by Southern Union continue to gain. As an example, building permits in May 1958 at Austin, Texas, showed an increase of 97% over May, 1957; El Paso increased 175%; Galveston 38%; and Albuquerque 162%. Among the leading states in income growth during the period 1946 to 1956, Arizona ranked first, New Mexico fourth (and almost third), Colorado sixth, and Texas ninth. The company's customers now number about 313,000, a gain of nearly two-thirds in eight years.

Usage by customers is also increasing and the new year-round gas air-conditioners (with no moving parts) are increasingly important as load builders. Last year Southern Union sold more of these units than the total number in service at the beginning of the year; and it expects to install twice as many units this year as last year. This increasing Summer load is particularly profitable since it helps to balance the heavy Winter heating load. However, about three quarters of the company's customers will have to put in gas air-conditioning in order to level off the load over the entire year. An important development in air-conditioning has been the big promotional program in connection with the Arkla Servel unit now being produced by Arkansas Louisiana Gas. Also the novelty of old fashioned gas lights for use in the front lawn are "going over big," and these lights use about as much as a gas range, it is estimated.

While the company produces only a small proportion of its own gas requirements, an intensive development and exploration program is under way. Southern Union Gas has a policy of buying promising acreage in anticipation of future oil and gas plays. At the end of last year oil and gas leases totaled 708,000 gross acres in New Mexico, Utah, Texas, Colorado, Oklahoma, Nebraska, Alabama, Louisiana and Alaska, an increase of 243,000 acres during the year. Extensive acreage is held in the San Juan Basin. Gas reserves on June 30, 1957 were estimated at 334 billion cf. owned directly, and 845 billion cf. under purchase contract.

Important developments are under way in the San Juan Basin of New Mexico, the Forth Worth Basin of north Texas, portions of central Oklahoma, the Permian Basin of west Texas, and the Paradox Basin of southeastern Utah. Oil production during the first part of 1958 amounted to 5,000 barrels per day. In the last two months this production has increased to 25,000 barrels per day and the company hopes production will reach 30,000 barrels by the end of the year.

Southern Union's capitalization is about 48% debt, 21% preferred stock, and 31% common stock equity. Bank loans will take care of financing needs this year as well as in 1959, according to President Zachry. Equity financing seems unlikely until around 1960-1961.

Since 1942 there have been 11 distributions and subscription rights to stockholders. The management has had a policy of splitting off its production properties from time to time. Thus in 1946 rights to subscribe to Delhi Oil were given at $2.36; in 1946 rights to Barker Dome Oil & Gas at $1.10; and in 1953 to Aztec Oil & Gas at $3.83. Other subscriptions have been for the company's own stock. Complete details of the value of these various rights, together with the distributions of Arkansas Western Gas and Texas Southeastern Gas, are not readily available. However, President Zachry in a talk before the New York Society of Security Analysts has pointed out that a purchaser of 10,000 shares of the company's stock in 1942, if he had exercised all rights, would have obtained a paper profit of over a million dollars by 1950; and if another investor had bought 10,000 shares in 1950 he would by now have doubled the market value of his investments (including purchases on rights), plus substantial cash dividends.

The common stock, selling recently around 28 in the Over-the-Counter Market, pays $1.12 to yield 4%. Earnings this year are expected to equal the $1.53 earned last year and may be slightly better, depending on weather conditions during the Fall months. The price-earnings ratio is about 13.3.

## Walston Adds to Staff

(Special to The Financial Chronicle)

MILWAUKEE, Wis. — Eldon E. Murray has joined the staff of Walston & Co., Inc., 210 East Wisconsin Avenue.

## Joins Joseph, Mellen

(Special to The Financial Chronicle)

CLEVELAND, Ohio—George O. Thompson Jr. is now with Joseph, Mellen & Miller, Inc., Union Commerce Building, members of the Midwest Stock Exchange.

## Joins United Securities

(Special to The Financial Chronicle)

GREENSBORO, N. C.—Jesse F. Rollins, Jr. has become connected with United Securities Co., Southeastern Building.

## Eastman Dillon Adds

(Special to The Financial Chronicle)

SOUTHERN PINES, N. C. — John A. McPaul is now associated with Eastman Dillon, Union Securities & Co., 105 East Pennsylvania Avenue.

*Continued from page 13*

# Price and the Public Interest

while the Senate Subcommittee looks with studied care in some other direction.

**Ignored Labor Costs Increase**

So here we find an interesting study in practical politics. The Committee majority professes to be amazed by the fact that industrial prices have risen at a time when demand was falling off in the market place. This, they say, is in defiance of all of the natural laws of economics; and they try to conjure up evidence to show that big, bad business monopoly has caused this unusual phenomenon.

Yet with astonishing success, they have diligently failed to recognize a truly unique economic phenomenon which clearly accounts for the first: the fact that wage costs have never stopped their upward push, even though there are 5,000,000 unemployed. Could it possibly be that this strange, and economically-inexplicable behavior of wage rates has had, in baseball language, an assist from the massive power over costs—and therefore prices—which Congress itself has conferred upon the great national unions?

I merely ask.

This Subcommittee has spent hundreds of thousands of dollars of Federal funds to investigate prices in some of our major industries; and I am sure that the companies which have been haled before it have, together, spent many times that sum in preparing and presenting every fact and figure about their business that could be meaningful and legitimately helpful to the Committee.

Had the Committee used this material in a real, unbiased, scholarly and non-political effort to enlist the American people in an all-out attack upon inflation at its actual sources, every penny of this money would have been well spent, and the investigation would have performed a great service to the nation. But the Committee majority has chosen instead an opposite course, some of the reasons for which we can only surmise.

This political world being what it is, it could hardly be expected that the members of the Committee majority could find the time or the inclination to point out that a basic source of the present inflation lies in the fiscal action of a Congress which, in two years, has raised the price of Government by $10 billion, and has left behind it a $12 billion deficit—an action which is certain to give inflation an added boost.

Neither, I suspect, would it be in the personal political interest of the Committee majority to expose the extent to which the leadership of labor has been responsible for rising prices.

So the Committee majority has chosen to devote its resources to anti-business attacks on industrial profits—attacks which have already stimulated considerable discussion of peace-time controls. Let's look at a quick sampling of the kind of misinformation that the taxpayers are getting out of this Committee for their money.

The Chairman of the Committee keeps telling us, twelve months later, that the $6-a-ton price increase of last year has actually cost the direct buyers of steel $540 million and that the cost to the consumer was undoubtedly pyramided to several times that amount.

**What Happened to Increased Revenue?**

Passing the fact that there is considerable room for improvement in his level of arithmetical accuracy since the industry shipped just 64,308,000 tons of steel products in the period, the obvious purpose of the Chairman is to leave the impression that the dollars from the increased price went into the steel companies' pockets and somehow stayed there. Does he give equal billing to the fact that all the dollars going in went out and more too? And for what? Not for increased dividends, but to pay the increased wages and the other costs incurred during the twelve months that have passed. Proof enough of this is the fact that the industry's profit declined 50% between the first half of last year and the first half of this.

The Chairman has also repeatedly stated that most of the wage increase which went into effect last July 1 would be offset by the long-run increase in labor productivity. Now I don't know, of course, just how long a run the Senator has in mind; but the longer we run, at the past rate of wage increases, the worse off we are; for the undisputed evidence in the record of the Committee shows that during the past 17 years, U. S. Steel's employment costs, per man hour, have gone up at an average rate of more than 8% per year, while the Government's own reports show that output per man hour in steel has risen by less than 3% per year. And anyone, including the Senator from Tennessee, who can really absorb the 8% out of less than 3%, is exactly the man our industry has been looking for, for years!

But the Wonderland arithmetic of the Committee reaches its most mystifying proportions when the Senator and some of his colleagues discuss steel profits. They say, for example, that the $6-a-ton price rise of last year was at least twice as much as was necessary to cover the wage increase that became effective at the same time. Beyond that, they insist that the entire cost of the wage increase was offset by a decline in the price of scrap, as if this were all the cost a steel company has; and the conclusions which they draw from these statements are strange and wonderful to behold.

If they were correct, of course —if the increase in wage costs had been completely offset by a decline in costs—then, if we may also indulge in the Committee majority type of shorthand mathematics—the profits of the steel companies would have gone up by more than $180 million.

The fact is, however, that their profits have dropped by $288 million in the 12 months that have passed since that price rise occurred; and the rate of profit has fallen from 7.2% on sales to 6.2%. In other words, had the companies raised the price of steel enough to cover their increased costs and to maintain their former profit rate during this past year of low demand, it would have taken a $10-a-ton price boost, instead of $6, to do the job.

**Repetitious Groundless Statements**

Now the official reports of these companies have been published and are certainly known to the Committee and its staff. They show with embarrassing clarity what the facts are; yet these members of the Committee continue to repeat such groundless statements. And it makes you wonder whether the Committee majority really believes in adequate profits for industry—and whether a business profit is a part of its political philosophy.

Commenting on what he called the "destructive philosophy" of the Committee majority, as it would affect any company or industry, Sen. Everett Dirksen, in his minority report on the Committee's steel hearings, declared:

"Indeed, the majority seems to feel that the attempt of such enterprises to operate profitably on a downward trend in the business cycle is somehow inimical to the national interest."

Further insight into the philosophy which holds that a lack of adequate business profits is somehow in the public interest, was evidenced in the course of a session of the Committee a few weeks ago which was devoted exclusively to the excoriation of steel prices and profits. The Senator from Wyoming spoke eloquently of the dangers arising out of the economic cold war which is being waged against us by Soviet Russia, and then said:

"United States Steel, which is in the position of leadership, wants to maintain itself in the black. The Government of the United States is in the red and is going further into the red; and I have no hesitation in saying that unless the leaders of American industry immediately act to help put the United States in the black, instead of letting it drift deeper and deeper into the red, we will not be able successfully to wage this cold war without great losses to industry and to the people alike."

Now I can understand the Senator's deep concern at the progress which Russia has made in the economic cold war against us. I understand it because I share it fully. I can also understand his profound concern over the Federal deficit, for I share that too. But if we are to infer that industry—by making a profit—is causing the Federal Government to "drift deeper and deeper into the red," then his reasoning escapes me.

Consider for a moment that for every dollar of profit corporations make, the Federal Government collects $0.48 in corporate income taxes. The decline in steel profits alone that has occurred in the past year has already cost the Federal Treasury about $300 million; and were steel profits to be wiped out completely, the Treasury would suffer an additional loss of more than $700 million, thus pushing the Government just that much farther into the red, enlarging the deficit, and driving our nation closer to the verge of uncontrolled inflation.

Consider, too, that under our Constitution the Senator from Wyoming and his 530 Congressional colleagues have the ultimate power to control Government expenditures and receipts, and thus they determine what the Government's fiscal condition will be. So when the Senator appeals to the leaders of American industry to help put the United States in the black, about the best thing that industry can possibly do to aid the Senator in his dilemma, so far as I can see, is to strive to maintain the profits upon which the Government leans so heavily for its revenues.

But above all, consider the nature and the use of corporate profits. What are they?

**Need for Corporate Profits**

Well the fact is that profit, over the years, is nothing more nor less than the price which a corporation must pay for the use of all of the plants, mills, furnaces, machines, tools and other capital assets that it needs in the fabrication of its product. Without sufficient profits, industry can no longer replace its tools of production as fast as they wear out, at which point the workers who once used these tools are without work. Is that in the public interest?

Without adequate profits, industry can no longer adapt the fruits of research and improve—as it constantly has—our nation's standard of living. Is that in the public interest?

Without enough profit, industry can no longer develop the new sources of raw materials that this nation must have. Is that in the public interest?

Neither can industry obtain the new, more efficient machines and techniques that have thus far enabled it to absorb so much of the rising cost of labor and materials. Thus prices will then rise at a headlong pace. Will that be in the public interest?

In short, with American troops maintaining the peace in the Middle East, with the Seventh Fleet alerted at Quemoy, with Russian industrial technology advancing at such a rapid pace as to challenge, seriously, our own, and with the multiple problems of the cold war which so deeply and properly concern the Senator from Wyoming, how can American industry discharge its responsibilities to the national welfare and the national security unless it does make a profit large enough to do the enormous job that only a profit can do in the critical years that lie ahead? How else could industry possibly act in the public interest?

Now surely the members of the Committee majority, having achieved the high and respected office which they hold, are fully aware of the facts I have presented here. Why then this dangerous unwillingness to consider those facts, unpalatable as they may be from a short range political point of view? What is the Committee majority driving at?

I hope that the answer is not to be found in a statement which was made at a Committee meeting last month by the Senator from Wisconsin—but this is what he said:

**Fears Government Total Control**

"'Price control' is a word we always used to be scared of, but we are letting someone else control the price; why can't the American people control the price, through its government?"

I am sorry to say the Senator's statement was warmly endorsed by several members of the Committee.

Now it is true that one thing which the responsible public official must constantly guard against is a kind of natural itch to extend the powers of Government over everything and everybody. In a way this itch is a sort of occupational hazard endemic in the world of politics, and must always be reckoned with. So it is inevitable, I suppose, that those who are afflicted in this way should try to foist peace-time price and wage controls upon the American people; but surely no responsible member of Congress—knowing that authority and responsibility must go together—would ever seek to do so.

The members of Congress are accountable directly to the people of their respective constituencies. They are not accountable directly to the owners, the customers or the employees of any business enterprise, as management is. And for Government or any Committee of Congress to try to usurp the functions of management—either by intimidation or by law—is as alien to our American constitutional concepts as for business to try to usurp the functions of Government.

In fact, I can think of nothing that could insure a Soviet victory in the cold war more completely and more quickly than that the self-same members of Congress who have "controlled" the Government's finances into the deplorable condition described by the Senator from Wyoming should now be allowed to "control" American business and industry into a state of acute capital starvation by attempting to regulate all prices, wages and profits from Washington.

If this unhappy concept of what appears to some to be in the public interest—as I have described it here—were a threat to the steel industry alone, I would not have imposed upon time and patience in this manner. But this dangerous philosophy of a profitless profit system is a grave and present menace not only to every business and industry in the land, but to the broadest possible public interest including the national security.

Unless the American people understand the true facts, and are apprised of this danger, there is little hope that they will ever be able to deal successfully with the serious inflationary problem that confronts them. I can only suggest that it is up to you—the members of the Detroit Economic Club and of similar representative organizations all over our land—and each one of you, to lay the facts before them. You have no reason or right to assume others will do the job for you.

And time is of the essence; for as the Senator from Wyoming recently said in what I am sure was a statement of great perception (although used in a different context):

"If we destroy the free economy, we will destroy free government. That is the situation that confronts us."

It certainly is!

## $9 Million Issue of Puerto Rico Bonds Placed on Market

The First National City Bank of New York is manager of an underwriting syndicate which was awarded Sept. 17 an issue of $9,000,000 Commonwealth of Puerto Rico public improvement bonds, due July 1, 1959 to 1978, inclusive. The group bid 100.0499 for a combination of 5s, 4s and 3.90s, for a net interest cost of 4.0539% to the commonwealth.

Public reoffering of the bonds is being made at prices to yield from 2% to 4.10%, according to maturity.

Other members of the offering group include:

Chemical Corn Exchange Bank; The First Boston Corp; Lehman Brothers; C. J. Devine & Co.; B. J. Van Ingen & Co. Inc.; Harriman Ripley & Co. Inc.; Smith, Barney & Co.; Kuhn, Loeb & Co.; Mercantile Trust Co.

Banco Popular de Puerto Rico; Lee Higginson Corp.; A. C. Allyn and Co. Inc.; F. S. Smithers & Co.; C. F. Childs and Co. Inc.; Braun, Bosworth & Co. Inc.; Kean, Taylor & Co.; Andrews & Wells, Inc.

Goodbody & Co.; Bacon, Whipple & Co.; F. Brittain Kennedy & Co.; Lyons & Shafto Inc.; Julien Collins & Co.; Seasongood & Mayer; Provident Savings Bank & Trust Co.; Park, Ryan, Inc.; and Janney, Dulles & Battles, Inc.

## Herdman to be Partner In S. D. Lunt Co.

BUFFALO, N. Y.—On Oct. 1 George G. Herdman will be admitted to partnership in S. D. Lunt & Co., Marine Trust Company Building, members of the New York Stock Exchange. Mr. Herdman has been associated with the firm and its predecessor Hamlin & Lunt, for many years as cashier and office manager.

## David A. Noyes Co. To Admit New Partner

CHICAGO, Ill.—David A. Noyes & Co., 208 South La Salle Street, members of the New York and Midwest Stock Exchanges, on Oct. 1 will admit Alec Margolis to partnership.

### John S. Wright

John Story Wright, partner in Morgan Stanley & Co., New York City, passed away suddenly on Sept. 15.

*Continued from first page*

# Investment of Trust Funds

some worries along the way, however, and a better case can be made for them when an investor is buying for his own account than when one is investing funds for others. They qualify as businessman's risks, not as trust investments. The trustee will usually keep bond quality pretty high.

In stocks there are many ways to accomplish good investment results. The important thing is to have a program and stick to it. This should always seek real values. For some, however, emphasis will be on immediate income; for others it will be on growth of principal and of income. It is for the trustee, setting standards high, to adapt policy to meet the circumstances of each individual account.

I shall express some personal thoughts on (1) philosophy; (2) policy; and (3) procedures of trust investment. Not all my associates in Old Colony Trust Company and The First National Bank of Boston would agree with all I have to say. Furthermore, I shall make some statements that will sound like conclusions not to be disputed. Please be assured that this is because of the limitations of space. Then, too, I may raise more questions than I answer. If I speak of one type of investing, I nevertheless respect other choices of program. I admire all favorable investment results.

### Investment Objective

Generally speaking, there tends, over a period of time, to be more income where there is more principal. Subject to the requirements of each account, therefore, the common objective of investment is the best combined principal and income result. The trustee will strike a balance between principal and income considerations. In our office we prefer a well-hedged position which maintains flexibility, so that we may act as the market dictates and not try to dictate to the market what it shall do. That we are long-term investors rather than active traders will be evident when I discuss the relationship of market values to acquisition values of our 10 largest common stockholdings. A recent calculation (at Dow-Jones 505) showed for this group aggregate market value of over $408,500,000, which was 285% of the acquisition total of $143,500,000.

### Balance

Balanced investment fundamentally means part fixed-income producing holdings and part common stocks. I have often said I would debate the issue with anyone who wants less than 25% on the fixed-income side, but would similarly debate having less than 25% in common stocks. This leaves a broad middle ground in which to be flexible rather than dogmatic as to an ideal stock-bond ratio. As one of my associates recently said, "We shall undoubtedly lose money on the bonds we buy today; but we probably will lose more on present stock purchases."

### Bond Investment

I shall do bond investment the injustice of covering it very briefly. In a nutshell, my philosophy here calls for a spread-maturity pattern, varied from time to time. I have a distinct leaning toward bonds of a quality to average nearer Aa than A rating. I want a good yield differential on a private placement as against a public offering, a similarly reasonable spread of net income on corporates or tax-exempts against Governments. Callable features and sinking fund provisions should be favorable to the investor.

I shall do no more than mention that mortgages, leased real estate, oil contracts, and other non-bond-or-stock possibilities should today have investment consideration.

### Preferred Stock Investment

Our Trust Fuction uses preferred stocks but little. In this market, however, we recognize their merits, especially where a good yield is being sought. The fundamental market position of preferreds has been improved by their tax-shelter advantage to corporate holders and the more recent dividend credit benefit to individuals.

### Common Stock Investment

I am convinced that common stock investments are better made on the basis of judgment of the long term rather than of the immediate future; judgment as to what earnings and dividends may be three years rather than three months away. Such an approach tends to stress value or quality, to subordinate price. It readily disclaims ability to achieve perfect timing. It avoids what I term "ticker-tape entanglement." To the extent that judgments are based on the weighing of probabilities and not possibilities, there can be peace-of-mind while quotations fluctuate, just as they have in the past. The 2% to 3% long-term growth of the nation's economy is a firm foundation for investment that scans distant horizons. The long view often surprises in bringing favorable nearby results.

### Growth Stock Defined

Common stocks, in general, I divide into two categories: growth stocks and special situations. For this purpose I define a growth stock as that of a company, in an expanding industry, which is sufficiently well managed to retain in the business that proper proportion of earnings which will better serve the investor, per share of the stock held, than would a larger current dividend. A special situation is any other stock (cyclical, defensive, merger prospect, etc.). Our office uses both. My personal bias is toward growth stocks. We like those indefinable "blue chips."

Each of my two broad categories divides into the same two parts: those that succeed and those that do not. I urge avoidance of the latter.

Seriously, though, we must look ahead, without benefit of hindsight. How may we, with as few errors as possible, ferret out really high-grade values in particular stocks to fit into well-conceived investment programs?

### General Truths

Out of the experience of 30 years of investing for many individuals and institutions, certain general truths have impressed themselves upon me. I give you a few of these in vastly over-simplified form:

(1) Management is about a 90% determinant of success, industry about 9%, everything else the balance.

(2) Price-earnings ratios reflect what the market place thinks of management and of industry prospects.

(3) Financial reports, important as they may be, are an imperfect measure of management ability.

(4) Stocks that characteristically sell at high price-earnings ratios are preferable to those with low ratios. What other people think of an issue is important.

(5) Earnings are more important than dividends: future earnings and future dividends more important than present earnings and present dividends.

(6) Broadly-based enterprises have fewer pitfalls for investors than do specialties.

(7) Businesses free to set their own price levels have an edge on regulated industries.

(8) No investment is perfect: all judgments are relative.

(9) Were judgment itself perfect, we would put all our investment eggs in the one best basket. Diversification to the extent of splitting a stock investment two ways would dilute average quality. Admitting the necessity of protecting against the errors of human decision, I question that the use of more than 40 issues, no matter how large the trust, improves protection at all. For many accounts 15 to 20 stocks should suffice. Excessive diversification invites carelessness.

(10) Be aggressive: never fight a defensive war in common stocks. Recognize the risks inherent in such investment. If they are too great to undertake, invest in other fields.

(11) Watch your capital exposure. Two lists that have performed equally well in the past may have widely different prospects of successfully facing the future.

(12) Set your investment sights high. For example, use a stock only if you expect it to grow by 75%. Do you realize that an original $2,000 compounded at 75% seven times becomes more than $100,000 — that $20,000 becomes more than $1,000,000?

### The Present Situation-Policy

Let me now come to the matter of present investment policy, as practiced in the Trust Function of Old Colony Trust Company and The First National Bank of Boston. I shall speak only of one personal trust pattern and one employee retirement trust pattern, but shall refer to new accounts and to old accounts in each category.

It is not too frequently that a new personal trust is launched entirely in cash. When this does happen, we now have a 50% common stock objective, with the remaining 50% to find investment in bonds of good quality and well distributed maturities. Perhaps, in broad outline, one-third of the bonds should mature within 10 years, another third in from 10 to 20 years, and the final third in more than 20 years. It may, however, take a year or more to set up this position. On the stock side, we would put but 25% to 30% into the market today and would seek more attractive opportunities to feed in the balance of the stock money. Thus, at the outset, a certain amount goes into cash equivalents wihch we expect later to transfer partly into longer bonds and partly into common stocks.

Now, most of our accounts have been with us for some time and for them current policy calls for 60% stocks, 40% bonds, on the basis of market values. This is after a cutting back of common stocks that has extended over the past three or four tax periods of individual accounts. Thus the bite on capital gains has been spread out and/or reduced. Many an account, originally invested to the extent of 50% in commons, may today have 60% of its market value, but less than 30% of present book value, in stocks and more in bonds than the original amount of the total trust. Before the cutting back process started in 1955 or 1956, some of these accounts were more than 75% in common stocks.

Employee benefit trusts have had their biggest development within the past 15 years. Unlike personal trusts, these normally come to us in the form of cash. Expected future increments are a substitute for short bonds in many cases. Our basic policy for these trusts is 30% for common stocks at the outset and then 30% of increments, but with some tempering of new buying in older accounts when and if common stocks at market exceed 50% and the general stock market level seems high.

Recently, just before the troubles of Iraq and Lebanon arose, we believed that fast recovery of earnings had been so fully discounted in the prices of so many stocks that we should reduce, at least temporarily, to 20%, the amount of cash increments going into commons. This is our policy today.

The reduction may be a mistake, on at least two counts: first, because the events in the Near East certainly invite inventory accumulation and reduce the chances of commodity price weakness; and, second, because pure supply and demand factors in trust-type stocks reflect a buoyancy founded in part on the still-common belief that other than straight dollar-averaging will prove wrong as often as right in the investment of retirement funds. We have chosen to exercise our discretion. We would have wished that there had been a correction of maladjustments in the wage-cost-price-profit relationship.

Sooner or later we shall return to the 30% basic policy. In case of drastic decline of the market, I suspect we will step up from 30%.

### Types of Trust Securities

A word is in order as to types of bonds and stocks for trust investment. In bonds, the income beneficiary's tax bracket will determine if exempts are to be held. Where the arithmetic of the situation does not call for tax-exempts, there is the choice between United States Governments and corporates. We normally use both. In corporates, utilities are our largest category. High grade industrials, however, have considerable appeal as they drop to substantial discounts—say 8, 10, or more points—especially if their sinking funds are a potentially strong market influence.

Our common stock distribution is likely to find 75% of the total in industrials, 15% in utilities, and the remaining 10% in bank and (in some cases) insurance shares. These are but rough bench-marks, which will vary with changing times.

Among the industrials, chemicals and oils will be the most prominent groups. The leading electrical equipment and office equipment representatives are likely to be present. A building material stock, a paper, a glass, and a merchandiser may come next. The pattern, however, is not a fixed one, but rather, we roll with the punches, hoping for an agility adequate to fulfill our trustee's duties. I have already said that we use both growth stocks and others.

### Procedures

I am sure you would like me to explain, in a few words, how the best possible trust investment results may be achieved. Were I to undertake to do so, I would stand discredited before you. I could, probably within two or three hours, curdle your blood with the present case for deflation; and I could follow up, in a similar period, with the compelling reasons for inflation. Then we might together be thoroughly confused as to how bonds and stocks may be expected to perform. In other words, there are no short cuts; no "yes" or "no" answers. Investment is not yet an exact science.

It was not long ago that I was startled to learn that, for New York State as a whole, only one bank in six was employing a full-time investment man. What proportion of the New York bank does not offer trust services, I do not know. Neither do I know what proportion of the banks, generally has a full-time investment man. But this bit of information about the New York banks makes me realize the problem that some bankers face, when trust fund investment is only one of the facets of their day's work.

**Bankers do not have to wrestle with the question of how much of effort or dollars to put into investment analysis. Have they, however, done all that can be done along a few general lines, which I feel can prove helpful? For example:**

**(1) Have they, through the directors, tapped the best investment brains of the community for Trust Investment Committee work?**

**(2) Have they developed a flow of selected information on securities of trust quality from competent investment houses?**

**(3) Are they using correspondent banks' trust department resources as you do their commercial departments?**

**Now, these are just a few questions and no answers at all. A trustee, in the final analysis, cannot delegate the exercise of his, or its, discretion. Investing remains hard work: neither United States Government bonds nor common stocks are the easy savior of a trust fund.**

**I would again remind you that an original $20,000 compounded at 75% seven times becomes more than $1,000,000. Where principal is, there also may income be. The trust fund well-balanced between bonds and stocks has great merit. If we stick to high standards, the trust departments of banks need take off their hats to no one when it comes to trust fund investment.**

## Joseph Di Fonzo With Capper & Co.

JERSEY CITY, N. J.—Joseph P. Di Fonzo, Jr. has become associated with Capper & Co., 1 Exchange Place, members of the Salt Lake Stock Exchange, as co-manager of the trading department.

Joseph Di Fonzo, Jr.

The firm of Capper & Co., with direct wires to Denver, Salt Lake City, and Albuquerque, specializes in mining, oil and industrial securities.

## So. Calif. Bank Advertisers Elect

LOS ANGELES, Calif.—Jack Monahan, assistant advertising manager, Citizens National Trust & Savings Bank, Los Angeles, Calif., has been elected 1958-59 president of the Southern California Bank Advertisers Association. He succeeds George Knight, assistant advertising manager, Security-First National Bank, Los Angeles.

Also named to the executive committee of the Association were Keith Sigars, advertising manager, First National Trust & Savings Bank, San Diego, vice president; and Raymond M. Cheseldine, Jr., advertising and publicity department, California Bank, Los Angeles, secretary-treasurer.

## With W. C. Thornburgh

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Julius A. Pizzoferrato, Sr. has become affiliated with the W. C. Thornburgh Co., Fifth Third Bank Building.

## Bank Deposits Rise Faster Than Loans for First Time in Four Years

For the first time since 1954 United States corporations and individuals are increasing their bank deposits at a faster rate than they're borrowing.

This fact was reported in the final 1958 edition of the Rand McNally International Bankers Directory, which has just been issued with a consolidated recapitulation of bank liabilities and resources as of June 30, 1958.

The Directory reveals that during the past year bank deposits have risen from $223.5 billion to a total of $243 billion, an increase of $19.5 billion, while total bank loans have increased only $4.5 billion, from approximately $115 billion to $119.5 billion.

According to the Directory, a large percentage of this deposit increase is being invested in U. S. Government and other securities, as evidenced by a rise in bank-owned securities of more than $12 billion—from $85.2 billion on June 30, 1957, to almost $98 billion on the same date this year.

The Directory's consolidated recapitulation also shows that combined resources of all U. S. banks reached another all-time high by climbing to a whooping $270 billion, as compared with the $249.3 billion reported in June, 1957.

The trend toward increased bank mergers, consolidations, and branches continued during 1958, the Directory shows. On June 30, 1958, there were 14,131 banks in the U. S., Alaska, and Hawaii—104 fewer than a year earlier. The number of branches increased by 879, from 8,334 to 9,213.

Other comparative figures shown in the Directory include:

| | June 30, '58 (Billions) | June 30, '57 (Billions) |
|---|---|---|
| Capital | $5,565,576 | $5,336,394 |
| Surplus | 11,253,490 | 10,642,035 |
| Undivided profits and reserves | 6,152,572 | 5,371,303 |
| Other liabilities | 4,047,876 | 4,582,929 |
| Other resources | 5,539,770 | 5,017,382 |

The Directory is distributed twice each year by Rand McNally to banks, business firms, railroads, insurance companies, hotels, and other organizations requiring up-to-date information on American and foreign banking.

### With H. E. Work

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — George E. Wren has become affiliated with H. E. Work & Co., 100 Bush Street.



## *Our Reporter on Governments*

By JOHN T. CHIPPENDALE, JR.

The Government market appears to have taken the further tightening of the money market pretty much in stride. The upping of the Central Bank rate to 2% by most of the Federal Reserve Banks, along with the increase in the "prime bank rate" from 3½ to 4%, as well as the increase in all loaning rates, means that interest rates are advancing and credit will not be so plentiful. This also means increased competition for all fixed income bearing obligations. However, the extent of the rise in interest rates will determine the future trend of the Government bond market.

Some money market specialists are of the opinion that the increase in interest rates will be slower from here on and, if this should be the case, the market for Governments as well as corporates and tax exempts could make a better showing, since the decline in prices of all these securities has been very sharp and over a relatively short period of time.

### The Higher Interest Rate Trend

Four more Federal Reserve Banks in the last week increased the discount rate from 1¾% to 2%. The Central Banks of Richmond, St. Louis, Cleveland and New York raised the borrowing rate to 2%. This change in the Central Bank rate was followed almost simultaneously by an increase in the "prime bank" rate from 3½% to 4%, with the large New York City banks leading the way, to be followed by important commercial banks in other cities. This uptrend in the rate charged by the deposit institutions of its best (risk) customers brought with it an upward revision in all other loaning rates. This means that borrowers will have to pay more for funds that are being obtained from banking institutions, and this will add to the cost of doing business.

The increase in the "prime bank" rate also comes at the time of the year when loans usually increase because of the need for money to finance the seasonal requirements of industry, commerce and agriculture.

The increase in the "prime bank" rate was not a complete surprise because there had been talk for some time that commercial loaning rates would be boosted. However, the uptrend in loans so far has not been strong enough to indicate such a great scarcity of funds as would seem to forecast an upward revision in the rates the commercial banks charge their customers. Further tightening of the money market by the powers that be, and a real seasonal demand for funds, could prove this latest increase in loaning rates by the deposit banks was justified.

### Heavy Borrowings From Central Bank

The increase in the discount rate to 2% by most of the Federal Reserve Banks can be accounted for in some measure by the sharp increase that was noted last week in discounts and advances at the 12 Central Banks of the system. These borrowings by member banks increased substantially for the system as a whole, and in the New York City area. It is evident that the Central Banks are not going to keep their rates at levels which will encourage borrowings by the member banks, although, now as in the past, the discount rate has not been a real penalty rate such as it is in most large nations in the world.

### Business on Recovery Road

The recently published data by the Federal Reserve Board shows that the recovery in business is continuing in a very satisfactory manner and about one-half of the decline from the high (December 1956) of 147 for the Federal Reserve Board's index of industrial production was made up in August when the figure was 137. The recession low was reached in April.

The recovery in business is moving ahead, even though the vigor of the uptrend will be determined in a large measure by what the automobile industry will do this Fall. That the betterment in business will be aided by the monetary authorities is taken for granted. However, if the inflation spiral should become more severe, there will most likely be further credit and money tightening measures, but supposedly not so drastic as to interfere with the recovery in business which now is in progress.

### Government's Seen in Buying Area

Competition from corporate and tax-exempt bonds keeps the pressure on the Government bond market, in spite of reports that state pension funds have been taking advantage of existing prices to make purchases of these securities. Also, there is some evidence around that certain money market specialists believe the Government bond market is in a buying area.

## Detroit Bond Club Elect New Officers

DETROIT, Mich.—At a recent meeting, the directors of The Bond Club of Detroit elected the following officers and directors for the fiscal year 1958-59, beginning Sept. 1:

President, Wilfred J. Friday of Friday & Company; Vice-President, Harry A. McDonald, Jr. of McDonald-Moore & Co.; Secretary-Treasurer, Richard Wallace of Braun, Bosworth & Co.

Directors elected for three-year terms were Harry A. McDonald of McDonald-Moore & Co. and Richard C. Spaulding of H. V. Sattley & Co. who will serve along with the officers and Milo O. Osborn of Paine, Webber, Jackson & Curtis, retiring President, and John G. Martin of First of Michigan Corporation.

The Club, which this year is observing its 43rd anniversary, will entertain its members at the Oakland Hills Country Club, Birmingham, Michigan on Sept. 23 with a Golf Party and Outing to open the current year activities.

## Robert E. Carlson V.-P. Of R. A. Underwood Co.

DALLAS, Tex.—Robert E. Carlson has been elected vice president of R. A. Underwood & Company, Incorporated, Mercantile Bank Building. Mr. Carlson has been with the firm for some time in the municipal trading department.

*Continued from page 4*

## The State of Trade and Industry

settlement of Detroit's labor problems would be a further guarantee of a continued rise in steel demand.

The metalworking weekly added, an auto strike, if one comes, would likely be short-lived, with the chances if the auto workers strike one of the big three that the other two will not become involved immediately.

Continuing, it pointed out that the steel firms are sharply competitive for automotive business, so they are likely to stock up on semi-finished products even if an auto strike comes. In this way, they would be in a position to deliver quickly when the strike ended.

Meanwhile, the order books of virtually all steel companies are fattening. Backlogs on some products are growing, meaning that some steel users will not get delivery when they expect it. It also means that as orders mount, backlogs and delivery promises will become more extended.

Despite the growing strength of the steel market some steel users are playing with fire, this trade weekly noted. Their inventories are at rock bottom and they are still pressuring the mills for quick deliveries. The market is still competitive enough that the mills are catering to them for the present. But it is becoming more and more difficult for producers to meet quick delivery demands.

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The course of private home building continued upward again in August to the best level since January 1956, and the outlook for proposed home construction showed a pickup after a two-month drop, the United States Department of Labor stated.

It reported privately-owned housing starts in August climbed to 108,800, topping the 107,300 figure for July and the best monthly figure since May 1956, when the total was 110,800. Last August, private home starts amounted to 96,300.

The increase from the month before, the department observed, was all in housing begun with Government-backed mortgage assistance. The FHA report noted that homes started under its insurance program in August totaled 27,900, the biggest volume in this category since October 1950.

Total home starts over the month, the Labor Department declared, amounted to 119,000 compared with 111,000 in July and 100,000 in August 1957. The over-all advance, the agency added, was mostly in public housing.

Averaging out the annual rate of private housing starts for the first eight months of this year, the department stated, brings it to 1,037,000 compared with 932,000 for the like period in 1957.

From January through August, a total of 768,000 private and public units had been put under construction compared with the 711,400 begun in the same 1957 months. This year's eight-month private total of 717,300 units was up from the 676,000 figure in the like period of 1957, mostly because of the sharp rise in FHA-assisted starts and steadiness in conventionally financed housing, the department further noted.

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In the automotive industry the 10 United States car makers currently turning out 1959 models each stepped up assembly last week, "Ward's Automotive Reports" declared. Programmed were 23,347 cars, 92% of them new models, compared to 12,016 in the previous week.

Involved in 1959 model manufacturing, stated "Ward's," are the five Chrysler Corp. divisions, all General Motors divisions except Chevrolet, and American Motors.

Ready to join the group of 1959 car assemblers this week is Chevrolet and perhaps Studebaker and Ford divisions. Looming as a barrier for Ford, however, is the United Auto Workers imposed Sept. 17 strike deadline date.

This week will see the final 1958 model automobile emerge from a factory, according to "Ward's." Phasing out such activity will be Lincoln's Wixom, Mich., assembly plant, still producing Lincolns and Thunderbirds.

The statistical publication reported increased efforts by the truck segment of the industry last week. Schedules called for 6,303 trucks compared to 4,484 the week before. Holding down the total were Chevrolet and Ford, idle for model changeovers. Chevrolet began erecting new jobs on Monday of the current week.

### Steel Output Set This Week to Reach Highest Level This Year

Steelworks operations which hit a 1958 peak last week will continue to rise for at least the next six weeks, barring an auto strike, "Steel" magazine predicted on Monday of this week.

It stated that steel orders are heavier than they have been at any previous time this year. Reasons given by this trade paper are the continued strong demand for construction products such as reinforcing bars, wire mesh, galvanized sheets, standard pipe, plates and structurals, increased demand for automotive steel, bigger orders from appliance makers who are getting set for Christmas, and increased buying for inventory replacement by miscellaneous consumers.

Last week, steelmakers boosted their production to the year's highest level. Operating furnaces at 65% of capacity rose two points and turned out about 1,755,000 tons of steel. The best previous effort was 1,751,000 tons, produced during the week ended June 22. District rates were: St. Louis at 82.5% of capacity, up 3.5 points; Cincinnati at 79, up 2 points; Detroit at 74.5, no change; Chicago at 74.5, up 7.5 points; Western district at 73, up 3 points; Wheeling at 68, down 0.5 point; Eastern district at 64, up 1 point; Pittsburgh at 60, up 5 points; Youngstown at 58, up 8 points; Buffalo at 56, up 4.5 points; Cleveland at 54.5, up 6 points, and Birmingham at 53.5, up 1.5 points.

It takes longer now to get deliveries of steel, this trade weekly observed. A month or two ago, cold-rolled sheets were delivered in ten days. Today, deliveries are promised for late October.

The upturn in steel operations is causing the industry to focus attention again on its long-term expansion requirements, the

publication added. This will be discussed during the Association of Iron & Steel Engineers meeting in Cleveland, Sept. 23-26.

The steel industry is a giant today, but it will be bigger tomorrow, "Steel" said. Close to 250,000,000 tons of steel capacity will be needed in 1975, if steelmakers are to keep up with a projected growth in population to about 221,500,000 people and an anticipated rise in per capita capacity. That is 109,257,000 tons more than the industry had on Jan. 1, 1958. Even if per capita capacity does not rise, the industry will need about 185,000,000 tons of capacity in 1975.

On the basis of a "Steel" survey of 73 producers of ingot steel, it looks like the round of expansion started in 1955 and being completed this year will account for close to 20,500,000 tons of capacity.

Steelmaking scrap prices last week held steady at $42.67 a gross ton as steel plants limited their purchases. Dealers think the scrap market will spurt if the automakers reach a settlement with Walter Reuther since high level steel production would be assured through the fourth quarter.

**The American Iron and Steel Institute announced that the operating rate of steel companies will average *111.9% of steel capacity for the week beginning Sept. 15, 1958, equivalent to 1,797,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of *110.8% of capacity, and 1,780,000 tons a week ago.**

**Output for the week beginning Sept. 15, 1958 is equal to about 66.6% of the utilization of the Jan. 1, 1958 annual capacity of 140,742,570 net tons compared with actual production of 65.9% the week before.**

**For the like week a month ago the rate was *105.2% and production 1,690,000 tons. A year ago, the actual weekly production was placed at 2,101,000 tons, or 130.8%.**

***Index of production is based on average weekly production for 1947-1949.**

### Electric Output Registered Gains the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Sept. 13, 1958 was estimated at 12,248,000,000 kwh., according to the Edison Electric Institute. Output after declining for three successive weeks registered gains in the latest period.

For the week ended Sept. 13, 1958 output increased by 223,000,000 kwh. above that of the previous week and 301,000,000 kwh. above that of the comparable 1957 week and also registered an increase of 909,000,000 kwh. above that of the week ended Sept. 15, 1956.

### Car Loadings in Labor Day Holiday Week Ended Sept. 6 Declined 12.7% Under Preceding Week

Loadings of revenue freight in the week ended Sept. 6, 1958, which included the Labor Day Holiday, were 82,081 cars, or 12.7% below the preceding week.

Loadings for the week ended Sept. 6, 1958 totaled 563,351 cars, a decrease of 82,766 cars, or 12.8% below the corresponding 1957 week, and a decrease of 116,300 cars, or 17.1% below the corresponding week in 1956.

### Automotive Output Increased the Past Week as Manufacturers Stepped Up the Pace of 1959 Model Assemblies

Automotive production for the week ended Sept. 12, 1958, according to "Ward's Automotive Reports," increased as the ten United States car makers currently turning out 1959 models each stepped up assembly.

Last week's car output totaled 23,347 units and compared with 12,016 (revised) in the previous week. The past week's production total of cars and trucks amounted to 29,650 units, or an increase of 13,150 units above that of the previous week's output, states "Ward's."

Last week's car output rose above that of the previous week by 11,331 units, while truck output advanced by 1 819 vehicles during the week. In the corresponding week last year 85,816 cars and 16,777 trucks were assembled.

Last week the agency reported there were 6,303 trucks made in the United States. This compared with 4,484 in the previous week and 16,777 a year ago.

### Lumber Shipments Rose 7.4% Above Output in the Labor Day Holiday Week Ended Sept. 6, 1958

Lumber shipments of 461 reporting mills in the Labor Day Holiday week ended Sept. 6, 1958 were 7.4% above production, according to the "National Lumber Trade Barometer." In the same period new orders were 1.2% below production. Unfilled orders amounted to 44% of stocks. Production was 10.4% below; shipments 11.6% below and new orders were 16.9% below the previous week and 0.3% above the like week in 1957.

### Business Failures Rise Moderately in Latest Week

Commercial and industrial failures rebounded to 256 in the week ended Sept. 11 from 191 in the preceding Labor Day Holiday week, Dun & Bradstreet, Inc., reports. Although casualties exceeded slightly the 237 in the similar week a year ago and the 203 in 1956, they remained 5% below the prewar total of 269 in the comparable week of 1939.

Failures involving liabilities of $5,000 or more climbed to 219 from 169 in the previous week and edged above the 208 of this size last year. An increase also occurred among small casualties under $5,000, lifting their toll to 37 from 22 a week ago and 29 in the corresponding week of 1957. Liabilities in excess of $100,000 were incurred by 25 of the week's failures as against 20 in the previous week.

### Wholesale Food Price Index Rose Fractionally Last Week

There was a slight rise in the wholesale food price index, compiled by Dun & Bradstreet, Inc. from the 1958 low of the prior week. The index registered $6.42 on Sept. 9, an increase of 0.5% from the $6.39 of a week earlier and 1.6% higher than the $6.32 of the comparable date a year ago.

Higher in wholesale cost were rye, bellies, lard, butter, eggs, potatoes and hogs. Commodities quoted lower were flour, wheat, corn, hams, tea, cocoa and steers.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

### Wholesale Commodity Price Index Declined Fractionally In Latest Week

Lower prices on some livestock, lard, coffee and butter held the general commodity price level somewhat below that of the prior week. On Sept. 8 the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., decreased to 276.90 from 277.22 a week earlier and compared with 290.42 on the comparable date a year ago.

International tension in the Far East stimulated grain trading early in the week, but volume slackened on more estimates of record crops. The corn crop is expected to be the second largest on record and the largest since 1948. Although corn volume decreased, prices were close to those of the preceding week.

There was a moderate decline in the buying of wheat which resulted in lower prices. The wheat market, however, returned to normal with the settlement of the grain handlers strike in Minneapolis. Rye prices were steady and trading matched that of a week earlier. Wholesalers reported an appreciable drop in soybean prices as purchases declined substantially.

Flour closed a bit lower than at the end of the prior week. Volume, however, was unchanged. There was a slight rise in both domestic and export demand for rice during the week. It is expected that this trend will continue in the next few weeks. Rice prices, it was noted, matched those of a week earlier.

Domestic sugar buying was sluggish last week with prices steady. Although cocoa trading sagged at the beginning of the period, it rallied at the week-end, leaving prices moderately higher than at the close of the preceding period. This was in part attributed to improved manufacturer interest. A noticeable dip in coffee futures prices occurred following the news that the Brazil Institute head had resigned.

While hog prices declined at the beginning of the week, small receipts at the close caused them to point higher. There was also a noticeable decline in cattle receipts in Chicago; trading was sluggish and prices below those of a week earlier. The buying of lambs continued at the level of the prior week with prices steady.

Although cotton prices moved up slightly in the middle of the week, moderate declines occurred at the close, resulting in prices being fractionally under those of a week earlier. Trading strengthened on news of the worsening situation in the Far East and reports of the movement of a tropical storm into the Gulf area. Many in the trade anticipated that the official Sept. 1 crop forecast would be somewhat higher than the August forecast.

### Trade Review of the Week

Consumer buying was sustained at a high level last week with volume close to that of a year ago. Shoppers were primarily interested in back-to-school and Fall apparel, furniture and food products, while the volume in appliances and new passenger cars lagged.

Total dollar volume of retail trade in the period ended on Wednesday of the past week was from 1% below to 3% higher than a year ago, spot estimates collected by Dun & Bradstreet, Inc. reveal. Regional estimates varied from the comparable 1957 levels by the following percentages: South Atlantic States +3 to +7%; Middle Atlantic +1 to +5; East South Central and Mountain 0 to +4; Pacific Coast —1 to +3; New England and West North Central —2 to +2; East North Central —4 to 0 and West South Central States —6 to —2%.

Retailers reported moderate year-to-year gains in sales of children's back-to-school merchandise, especially boys' sports jackets and slacks and girls' sweaters and skirts. There was substantial increase from both the prior week and a year ago in the call for women's sportswear, better dresses and fashion accessories. A slight rise in the buying of men's topcoats and suits accurred and total sales matched those of last year.

Housewives increased their buying of fresh meat, some dairy products and fresh produce last week. Interest in canned goods, frozen foods and baked goods equalled that of a week earlier.

Attempting to replenish depleted stocks, retailers noticeably boosted their orders for Fall apparel during the week. Best-sellers were women's coats and suits and children's back-to-school merchandise. Buyers' attendance at New York markets was at a record level with many wholesalers reporting limited inventories of women's clothing, especially coats, dresses and sportswear. Volume in men's apparel was sustained at a high level.

Increased orders for upholstered chairs, bedding and occasional tables helped boost over-all furniture volume at wholesale and sales matched those of a year ago. There was a considerable rise in purchases of housewares at Chicago markets and volume in hardware advanced appreciably in some Eastern centers. The call for major appliances expanded somewhat, with principal gains in dishwashers, automatic laundry equipment and television sets.

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Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the Labor Day Holiday week ended Sept. 6, 1958 rose 2% above the like period last year. In the preceding week, Aug. 30, 1958 an increase of 3% was reported. For the four weeks ended Sept. 6, 1958 a gain of 3% was also registered. For the period Jan. 1, 1958 to Sept. 6, 1958 a decrease of 1% was reported below that of 1957.

**Retail sales trade volume in New York City the past week climbed 5 to 10% above the volume of the like week a year ago, according to estimates by trade observers.**

**With a decline in temperatures apparel sales moved well and proved an important factor in the week's showing.**

According to the Federal Reserve Board's index, department store sales in New York City for the Labor Day Holiday week ended Sept. 6, 1958 showed an increase of 4% from that of the like period last year. In the preceding week, Aug. 30, 1958 an increase of 4% was reported. For the four weeks ended Sept. 6, 1958 an increase of 3% was reported. For the period Jan. 1, 1958 to Sept. 6, 1958 an increase of 1% was registered above that of the corresponding period in 1957.

## Leo Cherne to Address Commodity Exchange

Leo M. Cherne

Featured speaker for the Silver Anniversary Dinner of Commodity Exchange, Inc., on Oct. 9, in the Grand Ballroom of the Hotel Astor, will be Leo Cherne, Executive Director, The Research Institute of America, Inc., it was announced by Commodity Exchange President, Harold A. Rousselot. Mr. Cherne, internationally famous economist, noted for his comprehensive analyses of business, political and foreign affairs, will make one of his rare public appearances to highlight recent government actions, current economic trends and their significance to today's commodity markets.

A native New Yorker, Mr. Cherne was a practicing attorney when, in 1936, he joined Carl Hovgard, now President of the Research Institute, to develop a research organization to meet the challenge presented to business by an economic revolution. In 1938 he foresaw World War II and undertook his part in drafting the Army and Navy industrial mobilization plans.

As Executive Director of RIA he carries the responsibility for the advice and guidance extended by RIA to its more than 30,000 member business concerns. He directs the staff that analyzes economic and political trends and provides executive guidance in the fields of taxation, industrial and human relations, business management, sales and marketing.

Mr. Cherne was awarded the 1955 Lawrence S. Mayer Peace Award. In 1956 he received a Christopher Award together with former President Herbert Hoover and Senator John Kennedy. He is a top advisor to the governments of Viet Nam, Free Berlin, Chairman of the International Rescue Committee and active in the Freedom Fighters for Hungary.

### With Donald Sloan

(Special to The Financial Chronicle)

PORTLAND, Oreg. — Zalph L. Wilson is now with Donald C. Sloan & Co., Cascade Building.

### Walston Co. Adds

(Special to The Financial Chronicle)

PORTLAND, Oreg. — Albert J. Volk has become connected with Walston & Co. Inc., 901 Southwest Washington Street.

### With Zilka, Smither

(Special to The Financial Chronicle)

MEDFORD, Oreg. — Donald D. Davis is now with Zilka, Smither & Co., Inc., 933 Pearl Street.

### Joins Zilka, Smither

(Special to The Financial Chronicle)

PORTLAND, Oreg. — Quentin E. Sidesinger is now with Zilka, Smither & Co., Inc., 813 Southwest Alder, members of the Pacific Coast Stock Exchange.

### R. R. Gray Opens

MATTOON, Ill. — Richard R. Gray is conducting a securities business from offices in the Petroleum Building.

### Forms Houben & Co.

CHEVY CHASE, Md. — Joseph M. V. Houben is engaging in a securities business from offices at 5065 Bradley Boulevard under the firm name of Houben & Co.

# Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

**Addison-Wesley Publishing Co., Inc.**
Sept. 3 (letter of notification) 13,600 shares of class B common stock (no par), of which 11,100 shares are to be offered for subscription by stockholders (rights to expire Oct. 15, 1958); and 2,500 shares are to be offered to employees under the stock purchase plan. **Price**—$20 per share. **Proceeds**—For working capital. **Address**—Route 128, Reading, Mass. **Underwriter**—None.

★ **Addressograph-Multigraph Corp. (10/8)**
Sept. 17 filed 141,113 shares of common stock (par $10) to be offered for subscription by common stockholders of record about Oct. 7, 1958 at rate of one new share for each 20 shares held; rights to expire on or about Oct. 22, 1958. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—Smith, Barney & Co., New York.

**Amber Oil Co., Inc.**
Sept. 5 (letter of notification) 125,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For development of an oil and gas property. **Office**—1305 Continental Life Bldg., Fort Worth, Texas. **Underwriter**—Leeford Co., Inc., Fort Worth, Texas.

★ **American Box Board Co.**
Sept. 11 filed 49,732 shares of common stock (par $1) to be offered in exchange for Wolverine Carton Co. common stock at the rate of two shares of American for each share of Wolverine. The offer is subject to acceptance by at least 95% (23,623 shares) of Wolverine common stock; however, American may declare offer effective whenever it has been accepted by not less than 80% (19,983 shares) of the outstanding Wolverine common stock.

**American-Caribbean Oil Co. (N. Y.)**
Feb. 28 filed 500,000 shares of common stock (par 20¢). **Price**—To be supplied by amendment. **Proceeds** — To discharge current liabilities and to drill ten wells. **Underwriters**—To be named by amendment.

★ **American Cement Corp. (10/8)**
Sept. 17 filed $20,000,000 of sinking fund debentures due 1978. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans and for expansion program. **Underwriter**—Blyth & Co., Inc., New York.

**American Mutual Investment Co., Inc.**
Dec. 17 filed 490,000 shares of capital stock. **Price**—$10.20 per share. **Proceeds**—For investment in first trust notes, second trust notes and construction loans. Company may develop shopping centers and build or purchase office buildings. **Office** — 900 Woodward Bldg., Washington, D. C. **Underwriter** — None. Sheldon Magazine, 1201 Highland Drive, Silver Spring, Md., is President.

★ **American Oil Producers, Inc.**
Sept. 10 (letter of notification) 100,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For development of oil property. **Office**—511 South Fifth St., Room 5, Las Vegas, Nev. **Underwriter**—None.

• **American Telemail Service, Inc.**
See United States Telemail Service, Inc. below.

**Ampal-American Israel Corp., New York**
Aug. 8 filed $3,289,100 of 10-year discount convertible debentures, series E. **Price**—61.027% of principal amount, payable in cash or in State of Israel Independence Issue or Development Issue bonds. **Proceeds**—For development and expansion of agricultural, industrial and commercial enterprises in Israel. **Underwriter**—None.

**Anderson Electric Corp.**
Dec. 23, 1957 (letter of notification) 14,700 shares of class B common stock (par $1). **Price** — $12 per share. **Proceeds** — To go to selling stockholders. **Office** — 700 N. 44th Street, Birmingham, Ala. **Underwriters**—Cruttenden, Podesta & Co., Chicago, Ill.; and Odess, Martin & Herzberg, Inc., Birmingham, Ala.

**Anita Cobre U. S. A., Inc., Phoenix, Ariz.**
Sept. 30, 1957, filed 85,000 shares of common stock. **Price**—At par ($3.75 per share). **Proceeds**—For investment in subsidiary and working capital. **Underwriter**—Selected Securities, Inc., Phoenix, Ariz.

**Arden Farms Co., Los Angeles, Calif.**
June 4 filed 172,162 shares of common stock (par $1) being offered for subscription by holders of outstanding common stock at the rate of one new share for each five shares held on July 7, 1958; rights to expire about Sept. 22, 1958. **Price**—$14 per share. **Proceeds**—To pay off an equivalent portion of the company's current bank loans which, at May 15, 1958, amounted to $8,450,000. **Underwriter**—None. Statement effective July 7.



**Arizona Public Finance Co., Phoenix, Ariz.**
Sept. 2 filed 902,808 shares of common stock, which are issuable as underwriting commissions on the sale of an issue of $981,700 5% debentures and 9,805,603 shares of common stock now being offered publicly under an earlier registration statement. Under an underwriting agreement between the company and Public Development Corp., the underwriter, the latter will be entitled to receive common stock equal in par value to 10% of the par value of all stock sold pursuant to this offering and subsequent to June 30, 1958. Common shares will also be issued in an amount equal to 5% of the debentures sold subsequent to that date.

**Associated Grocers, Inc., Seattle, Wash.**
June 30 filed 4,788 shares of common capital stock (par $50) and $1,500,000 of 5% subordinated registered debenture notes, second series, and $606,000 of 5% coupon bearer debentures. To be offered to members of the association. **Proceeds** — For working capital. **Underwriter**—None.

★ **Ballard Aircraft Corp.**
**(formerly Central Aircraft Corp.)**
Sept. 5 (letter of notification) 50,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For equipment, working capital, etc. **Office**—One Kennedy St., N. W., Washington 11, D. C. **Underwriter**—None.

**Bankers Fidelity Life Insurance Co.**
Feb. 28 filed 258,740 shares of common stock (par $1, of which 125,000 shares are to be offered publicly and 133,740 shares to employees pursuant to stock purchase options. **Price**—To public, $6 per share. **Proceeds**—For expansion and other corporate purposes. **Office** — Atlanta, Ga. **Underwriter**—None.

• **Bankers Management Corp. (10/15)**
Feb. 10 filed 400,000 shares of common stock (par 25 cents.) **Price**—$1 per share. **Proceeds**—To reduce outstanding indebtedness and for working capital. **Office**—Houston, Texas. **Underwriter** — McDonald, Holman & Co., Inc., New York.

**Bankers Southern, Inc.**
April 14 filed 8,934 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For general corporate purposes. **Underwriter** — Bankers Bond Co., Louisville, Ky.

★ **Bowling Corp. of America (10/10-15)**
Sept. 11 filed 450,000 units, each consisting of one share of common stock (par 10 cents) and two common stock purchase warrants, one warrant to expire 18 months from the date thereof, exercisable at $3.25 per share, and one warrant to expire 30 months from the date thereof, exercisable at $3.50 per share. **Price**—$3 per unit. **Proceeds**—For working capital. **Underwriter**—Charles Plohn & Co., New York.

• **Cador Production Corp., Far Hills, N. J.**
Aug. 7 filed 1,003,794 shares of class A stock (par $1) and 150,569 shares of class B stock (par 60 cents), the class A shares to be issued in exchange for oil and/or gas properties and the class B shares to be issued as commissions. **Underwriter** — Cador, Inc., Far Hills, N. J. Statement effective Sept. 8.

**Calidyne Co., Inc., Winchester, Mass.**
June 4 filed 230,875 shares of common stock (par $1) These shares are issuable upon conversion of an aggregate principal amount of $923,500 of 10-year 3% convertible subordinated income notes of the Calidyne Co., a limited partnership, which notes were assumed by the company Dec. 31, 1957. The notes are convertible at any time after July 1, 1958, until the maturity or prior redemption of the notes at a conversion price of $4 per share. **Underwriter**—None.

★ **California Corp. for Biochemical Research**
Sept. 8 (letter of notification) 150,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To acquire the assets of California Foundation for Biochemical Research and for working capital. **Office**—3625 Medford St., Los Angeles 63, Calif. **Underwriter**—None.

**Carrtone Laboratories, Inc., Metairie (New Orleans), La.**
July 2 filed 600,000 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—For expansion, working capital and other corporate purposes. **Underwriter**—None.

**Central Oils Inc., Seattle, Wash.**
July 30 filed 1,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds** — For drilling costs. **Underwriter**—None. Offering to be made through A. R. Morris and H. C. Evans, President and Vice-President, respectively, on a best-efforts basis. **Office**—4112 Arcade Building, Seattle, Wash.

**Charles Town Racing Association, Inc.**
Sept. 9 filed 4,000,000 shares of common stock (par 10 cents), represented by voting trust certificates, of which 3,530,000 shares are to be offered to the public and the remaining 470,000 shares have been issued to nine persons, who may sell such shares at the market. **Price**—60 cents per share. **Proceeds** — For construction of racing plant and acquisition of equipment. **Office**—Charlestown, W. Va. **Underwriter**—None.

**Cinemark II Productions, Inc.**
June 30 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office** — 937 Acequia Madre Rd. Santa Fe, N. M. **Underwriter**—Watson & Co., Santa Fe, N. M.

**Citizens Life Insurance Co. of New York (9/25)**
Sept. 4 filed 150,000 shares of common stock (par $2). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Control**—Over 98% of stock owned by Citizens Casualty Co. of New York. **Underwriter**—Lee Higginson Corp., New York.

**Clary Corp.**
Aug. 27 (letter of notification) an undetermined number of shares of common stock (par $1) to be offered to stockholders on a pro rata basis (with an oversubscription privilege). **Price**—At the market (estimated at about $3.87½ per share). **Proceeds**—For working capital. **Office** 408 Junipero St., San Gabriel, Calif. **Underwriter**—None.

**Clute Corp.**
Aug. 21 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To pay additional costs of construction; and for retirement of obligations and working capital. **Office** — c/o John Harlan Lowell, 2200 Kenton, Aurora, Colo. **Underwriter**—Lowell, Murphy & Co., Inc., Denver, Colo.

**Columbia & Rensselaer Telephone Corp.**
Aug. 4 (letter of notification) 2,800 shares of common stock (no par) to be offered for subscription by stockholders at the rate of one new share for each 2.572 shares held. **Price**—$60 per share. **Proceeds**—For construction of new telephone plant. **Office**—19 Railroad Avenue, Chatham, N. Y. **Underwriter**—None.

**Commerce Oil Refining Corp.**
Dec. 16, 1957 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,000 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock. **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Indefinite.

**Consolidated Cuban Petroleum Corp.**
July 1 filed 419,000 outstanding shares of common stock (par 20 cents). **Price**—Related to the current market price on the American Stock Exchange. **Proceeds**—To selling stockholders. **Underwriter**—None.

• **Consumers Power Co. (9/23)**
Aug. 29 filed $35,000,000 of first mortgage bonds due 1988 (subsequently increased to $40,000,000 principal amount). **Proceeds**—To repay short-term bank loans and for expansion and improvement of service facilities. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Shields & Co. (jointly); The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly). **Bids**—To be received up to 11 a.m. (EDT) on Sept. 23 at office of Commonwealth Services, Inc., 300 Park Ave., New York 22, N. Y.

• **Consumers Power Co.**
Aug. 29 filed 150,000 shares of preferred stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To repay short-term bank loans and for expansion and improvement of service facilities. **Underwriter** — Morgan Stanley & Co., New York. **Offering**—Postponed indefinitely.

**Cooperative Grange League Federation Exchange, Inc.**
June 20 filed $400,000 of 4% subordinated debentures, 10,000 shares of 4% cumulative preferred stock (par $100) and 200,000 shares of common stock (par $5). **Price**—At par. **Proceeds**—To be added to working capital. **Office**—Ithaca, N. Y. **Underwriter**—None.

**Counselors Research Fund, Inc., St. Louis, Mo.**
Feb. 5 filed 100,000 shares of capital stock, (par one cent). **Price**—At market. **Proceeds**—For investment. **Underwriter** — Counselors Research Sales Corp., St. Louis. Robert H. Green is President.

**Cuban-Venezuelan Oil Voting Trusts, Havana, Cuba**
March 31 filed 767,838 units of voting trust certificates, each certificate representing the ownership of one share of common stock (par one-half cent) in each of 24 Cuban companies. **Price** — To be supplied by amendment. **Proceeds**—For capital expenditures, exploration costs and other corporate purposes. **Underwriter**—None.

**Daybreak Uranium, Inc., Opportunity, Wash.**
Jan. 29 filed 1,156,774 shares of common stock (par 10 cents), of which 630,000 shares are to be offered for account of company and 526,774 shares for selling stockholders. **Price**—At market. **Proceeds**—For exploration and drilling costs and other corporate purposes. **Underwriter**—Herrin Co., Seattle, Wash.

**Derson Mines Ltd.**
June 5 filed 350,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For new equipment, repayment of loan, acquisition of properties under option, and other corporate purposes. **Office**—Toronto, Canada, and Emporium, Pa. **Underwriter**—None.

★ **Dow Chemical Co., Midland, Mich.**
Sept. 11 filed 175,000 shares of common stock (par $5) to be offered to employees of the company, its subsidiaries, and certain associated companies. By a separate registration statement the company plans to offer 12,500 additional shares of the said stock to employees of Dow Corning Corp., a 50% owned subsidiary of the corporation.

**Electronic Supply Co., Los Angeles, Calif.**
Aug. 8 (letter of notification) not in excess of $50,000 aggregate value of common stock (par 50 cents) to be sold in State of California only. **Price**—At market (estimated at about $12.25 per share). **Proceeds**—To selling stockholders. **Underwriter**—Bateman, Eichler & Co., Los Angeles, Calif.

**Ethodont Laboratories, Berkeley, Calif.**
**Feb. 20 filed 300,000 shares of common stock. Price—At par ($5 per share). Proceeds—To cover operating expense during the development period of the corporation. Underwriter—None.**

**Exploration Service Co., Ltd., Far Hills, N. J.**
Aug. 11 this company and Amkirk Petroleum Corp. (latter of Fort Worth, Texas) filed $400,000 of working interests (non-producing in Sinu Valley Project), to be offered for sale in $12,500 units (of which $8,000 is payable in cash and $4,500 is to be represented by promissory notes). **Proceeds**—Exploration Service Co. to acquire 80% interest in a certain concession from Amkirk and for exploration program. **Underwriter**—Cador, Inc., Far Hills, N. J.

**Federal Commercial Corp.**
May 21 (letter of notification) 300,000 shares of common stock (par 10 cents) **Price**—50 cents per share. **Proceeds**—To make loans, etc. **Office** — 80 Wall St., New York, N. Y. **Underwriter**—Dumont Securities Corp., New York, N. Y.

● **Fields' Louisiana Corp., Baton Rouge, La.**
July 31 filed 400 shares of common stock (no par) $500,000 of 6% debenture bonds and $50,000 of promissory notes to be offered in units of four shares of stock, $5,000 of bonds and $500 of notes. **Price**—$7,500 per unit. **Proceeds**—To take over a contract to purchase the Bellemont Motor Hotel in Baton Rouge; for equipment; and working capital. **Underwriter**—None. Statement withdrawn on June 27.

**First Backers Co., Inc., Clifton, N. J.**
**April 7 filed $1,000,000 of 12% notes, payable nine months after date of issue in units of $100 or in multiples thereof. Price—100% of principal amount. Proceeds—To be used solely for purchase of notes and other indebtedness issued in payment for improvements on homes and secured by mortgages or other liens upon the improved properties. Underwriter—None.**

● **Florida Steel Corp. (9/30)**
Sept. 9 filed 74,925 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter** — McDonald & Co., Cleveland, Ohio, and Kidder, Peabody & Co., New York.

**Florida Water & Utilities Co., Miami, Fla.**
Sept. 4 filed 55,000 shares of common stock (par $1). **Price** — $7 per share. **Proceeds** — Together with other funds, to be used to reduce the company's indebtedness, for working capital, and for property additions and improvements. **Underwriter** — Beil & Hough, Inc., St. Petersburg, Fla.

**Forest Laboratories, Inc.**
**March 26 filed 150,000 shares of capital stock (par 10 cents). Price—$2.50 per share. Proceeds—For sales promotion of company's products, working capital, additional inventory and accounts receivable, for research and development and for other general corporate purposes.** **Office**—Brooklyn, N. Y. **Underwriters**—Statement to be amended.

★ **Franklin Discount Co.**
Sept. 9 (letter of notification) $100,000 of 8% subordinated debentures due July 1, 1964. **Price**—At par. **Proceeds**—To purchase conditional sales contracts and make loans. **Office**—105 N. Sage St., Toccoa, Ga. **Underwriter**—None.

**Fremont Valley Inn**
Aug. 6 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To erect and operate an activities building, comprising a restaurant, cocktail lounge and coffee shop. **Office**—3938 Wilshire Blvd., Los Angeles, Calif. **Underwriter**—Oscar G. Werner & Co., Pasadena, Calif.

**Frontier Refining Co., Denver, Colo. (9/22-26)**
Aug. 29 filed $2,000,000 of 5½%, 5¾%, 6% and 6½% serial debentures, series of 1958. **Price**—$1,000 per unit. **Proceeds**—For working capital. **Underwriters**—Peters, Writer & Chirstensen, Inc., and Garrett - Bromfield & Co., both of Denver, Colo.

**General Aniline & Film Corp., New York**
**Jan. 14, 1957 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). Proceeds—To the Attorney General of the United States. Underwriter—To be determined by competitive bidding.** Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); **Kuhn, Loeb & Co.; Lehman Brothers, and Glore, Forgan & Co. (jointly). Bids—Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.**

**General Devices, Inc., Princeton, N. J.**
**March 31 (letter of notification) 40,000 shares of common stock (par $1) to be offered for subscription by stockholders at the rate of approximately 18.5 shares for each 100 shares held about April 15; unsubscribed shares to public. Price—$3.50 per share. Proceeds—For expansion, equipment and working capital. Underwriter—None.**

**Georgia Casualty & Surety Co., Atlanta, Ga.**
**May 6 filed 450,000 shares of common stock (par $1). Price—$6 per share. Proceeds — For general corporate purposes. Underwriter—Buckley Enterprises, Inc.**

● **Glassheat Corp.**
**Feb. 12 (letter of notification) 150,000 shares of class A common stock (par 10 cents). Price—$2 per share. Proceeds—For general corporate purposes. Office—1 E. 85th Street, New York 16, N. Y. Underwriter—James Anthony Securities Corp. 37 Wall St., New York 5, N. Y.** Statement may be withdrawn.

★ **Grand Prix, Inc.**
Sept. 11 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For inventory, equipment, plant, working capital, etc. **Office**—710 South Fourth St., Las Vegas, Nev. **Underwriter**—None.

**Great American Realty Corp., N. Y.**
**Aug. 18 filed 484,000 shares of class A stock (par 10 cents). Of this stock, the company proposes to offer 400,000 shares and certain selling stockholders 40,000 shares, the remaining 44,000 shares being subject to option to be offered for the account of the underwriters. Price—To be supplied by amendment. Proceeds—For working capital and other corporate purposes. Underwriters—Joseph Mandell Co. and Louis L. Rogers Co., both of New York, on a best efforts basis.**

**Great Northern Life Insurance Co.**
**Aug. 12 (letter of notification) 31,011 shares of common stock (par $1) to be offered to stockholders on the basis of one new share for each seven shares held; warrants to expire Sept. 20, 1958. Unsubscribed shares to be offered to stockholders until Oct. 20, 1958; then to public. Price—$3 per share. Proceeds—For general funds to be used for expansion. Office—119 W. Rudisill Blvd., Fort Wayne, Ind. Underwriter—Northwestern Investment Inc., 502 Gettle Bldg., Fort Wayne, Ind.**

**Guardian Insurance Corp., Baltimore, Md.**
**Aug. 16, 1957, filed 300,000 shares of common stock, of which 200,000 shares are to be publicly offered and the remaining 100,000 shares reserved for issuance upon exercise of warrants which are to be sold at 25 cents per warrant to organizers, incorporators, management, and/or directors. Price—$10 per share. Proceeds—For working capital and general corporate purposes. Underwriter—None.**

**Gulf States Utilities Co.**
**Aug. 14 filed $17,000,000 of first mortgage bonds, series A, due 1988. Proceeds—Together with cash on hand, to redeem and retire $17,000,000 principal amount of 4⅞% first mortgage bonds due 1987. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Smith and White, Weld & Co. (jointly); Stone & Webster Securities Corp.; and Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly). Bids—Had been expected to be received on Sept. 15, but has been indefinitely postponed.**

**Harshaw Chemical Co. (9/30)**
**Sept. 9 filed $7,000,000 of 20-year debentures due 1978. Price—To be supplied by amendment. Proceeds—To be used for the retirement of indebtedness totaling $3,500,000, for capital improvements to chemical manufacturing facilities aggregating about $1,500,000, and for other corporate purposes, including additional working capital. Underwriters—Morgan Stanley & Co., New York; and McDonald & Co., Cleveland, Ohio.**

★ **Hawaiian Electric Co., Ltd.**
Sept. 12 filed 225,000 shares of series G cumulative preferred stock. **Price** — To be supplied by amendment. **Proceeds** — For construction program. **Underwriters**—Dillon, Read & Co. Inc., New York; and Dean Witter & Co., San Francisco, Calif. **Offering**—Expected sometime in October.

**Haydu Electronic Products, Inc.**
**Sept. 3 (letter of notification) $300,000 6% convertible subordinated debentures due Dec. 31, 1968. To be offered for public sale. Price—$100 per $100 of debentures. Proceeds—For working capital and for general corporate purposes. Office—1426 West Front St., Plainfield, N. J. Underwriter — Berry & Co., Plainfield, N. J. and New York, N. Y.**

**Hoagland & Dodge Drilling Co., Inc.**
**June 12 filed 27,000 shares of capital stock. Price—$10 per share. Proceeds—To be used in part for the exploration of mines and development and operation of**

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# NEW ISSUE CALENDAR

**September 22 (Monday)**

Frontier Refining Co. — **Debentures**
(Peters, Writer & Christensen, Inc. and Garrett-Bromfield & Co.) $2,000,000

North Carolina Natural Gas Corp. — **Debs. & Com.**
(Kidder, Peabody & Co.) $8,580,000

**September 23 (Tuesday)**

Consumers Power Co. — **Bonds**
(Bids 11 a.m. EDT) $40,000,000

**September 24 (Wednesday)**

Norway (Kingdom of) — **Bonds**
(Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.; Lazard Freres & Co. and Smith, Barney & Co.) $15,000,000

Pittsburgh & Lake Erie RR. — **Equip. Trust Ctfs.**
(Bids to be received) $3,975,000

Wisconsin Electric Power Co. — **Common**
(Offering to stockholders—no underwriting) 510,005 shares

**September 25 (Thursday)**

Citizens Life Insurance Co. — **Common**
(Lee Higginson Corp) 150,000 shares

**September 29 (Monday)**

Universal-Cyclops Steel Corp. — **Debentures**
(A. G. Becker & Co., Inc.) $22,500,000

**September 30 (Tuesday)**

Chicago & North Western Ry. — **Equip. Tr. Ctfs.**
(Bids noon CDT) $1,875,000

Florida Steel Corp. — **Common**
(Kidder, Peabody & Co.) 74,925 shares

Harshaw Chemical Co. — **Debentures**
(Morgan Stanley & Co. and McDonald & Co.) $7,000,000

International Rectifier Corp. — **Common**
(Blyth & Co., Inc.) 180,000 shares

Mountain States Telephone & Telegraph Co. — **Common**
(Offering to stockholders—no underwriting) $70,096,100

**October 1 (Wednesday)**

Imperial Packing Corp. — **Common**
(Simmons & Co.) $290,000

National Fuel Gas Co. — **Debentures**
(Bids 11:30 a.m. EDT) $10,000,000

Pennroad Corp. — **Common**
(Offering to stockholders—underwritten by Kuhn, Loeb & Co.) 1,286,619 shares

Wellington Equity Fund, Inc. — **Common**
(Kidder, Peabody & Co.; Bache & Co.; Reynolds & Co. Inc. and Dean Witter & Co.) $24,000,000

**October 6 (Monday)**

Pacific Gas Light & Coke Co. — **Common**
(Offering to stockholders—underwritten by Glore, Forgan & Co. and The First Boston Corp.) 447,346 shares

**October 7 (Tuesday)**

Madison Gas & Electric Co. — **Bonds**
(Bids 11 a.m. EDT) $11,000,000

**October 8 (Wednesday)**

Addressograph-Multigraph Corp. — **Common**
(Offering to stockholders—to be underwritten by Smith, Barney & Co.) 141,113 shares

American Cement Corp. — **Debentures**
(Blyth & Co. Inc.) $20,000,000

Northwestern Steel & Wire Co. — **Common**
(Blyth & Co., Inc.) 125,000 shares

**October 9 (Thursday)**

Arabol Manufacturing Co. — **Preferred & Common**
(Bids 11 a.m. EDT) 210 shares of preferred and 515.6 shares of common

Norfolk & Western Ry. — **Equip. Trust Ctfs.**
(Bids to be received) $7,440,000

**October 10 (Friday)**

Bowling Corp. of America — **Common**
(Charles, Plohn & Co.) $1,350,000

**October 14 (Tuesday)**

Idaho Power Co. — **Bonds**
(Bids to be received) $15,000,000

**October 15 (Wednesday)**

Bankers Management Co. — **Common**
(McDonald, Holman & Co., Inc.) $400,000

**October 21 (Tuesday)**

Cincinnati & Suburban Bell Telephone Co. — **Debs.**
(Bids to be received) $25,000,000

**November 6 (Thursday)**

Indiana & Michigan Electric Co. — **Bonds**
(Bids 11 a.m. EST) $20,000,000

**November 13 (Thursday)**

Norfolk & Western Ry. — **Equip. Trust Ctfs.**
(Bids to be received) $5,310,000

**November 18 (Tuesday)**

Pacific Telephone & Telegraph Co. — **Debentures**
(Bids to be invited) $80,000,000

**December 18 (Thursday)**

Norfolk & Western Ry. — **Equip. Trust Ctfs.**
(Bids to be received) $6,450,000

## Postponed Financing

Consumers Power Co. — **Preferred**
(Morgan Stanley & Co.) $15,000,000

Gulf States Utilities Co. — **Bonds**
(Bids to be invited) $17,000,000

Laclede Gas Co. — **Bonds**
(Bids to be invited) $10,000,000

Michigan Bell Telephone Co. — **Debentures**
(Bids to be invited) $40,000,000

Montana Power Co. — **Bonds**
(Bids to be invited) $20,000,000

Moore-McCormack Lines, Inc. — **Bonds**
(Kuhn, Loeb & Co and Lehman Brothers) $24,000,000

New England Telephone & Telegraph Co. — **Debens.**
(Bids to be invited) $40,000,000

Pennsylvania Power Co. — **Bonds**
(Bids to be invited) $8,000,000

South Carolina Electric & Gas Co. — **Bonds**
(Bids to be invited) $10,000,000

Southwestern Bell Telephone Co. — **Debentures**
(Bids to be invited) $110,000,000

Utah Power & Light Co. — **Bonds**
(Bids to be invited) $20,000,000

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mines and in payment of indebtedness. **Office**—Tucson, Ariz. **Underwriter**—None.

**★ Household Gas Service, Inc.**
Sept. 10 (letter of notification) $75,000 6% convertible debentures due June 15, 1973 to be offered in denominations of $1,000 and $500 each. **Price**—At par. **Proceeds**—For repayment of debt and for working capital. **Office**—Clinton, N. Y. **Underwriter**—Mohawk Valley Investing Co., Inc., Utica, N. Y.

**★ Hurt (Joel) Factors, Inc.**
Sept. 8 (letter of notification) 7,500 shares of common stock (par $10) and $200,000 of 10-year 6% subordinated convertible debentures due Aug. 31, 1968, to be offered in units of three shares of stock and one $80 debenture. **Price**—$120 per unit. **Proceeds** — To repay Crompton Co., Inc., and for working capital. **Office**—Glenn Bldg., Atlanta, Ga. **Underwriter**—None.

**Idaho Manufacturing Co., Inc.**
Aug. 22 (letter of notification) 2,000 shares of class A stock (par $15), $170,000 of 6% subordinated debentures and 2,000 shares of class B stock (par $15) to be offered first to stockholders. **Price**—$15 per share for class A and $100 per unit to stockholders (each unit consisting of $85 of debentures and one class B share). **Proceeds**—For expenses of setting up production and distribution: manufacturing and operating expenses and for operating capital. **Office**—210 North 30th, P. O. Box 5070, Boise, Ida. **Underwriter**—First Idaho Corp., Boise, Ida.

**★ Idaho Power Co. (10/14)**
Sept. 17 filed $15,000,000 of first mortgage bonds due 1988. **Proceeds**—To reduce bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., Lazard Freres & Co. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Smith; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Equitable Securities Corp.; Kidder, Peabody & Co., and White, Weld & Co. (jointly). **Bids**—Expected to be received on Oct. 14.

**● Imperial Packing Corp. (10/1)**
Aug. 21 (letter of notification) 290,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For expenses in the production of citrus juices and by-products and working capital. **Office**—Anaheim, Calif. **Underwriter**—Simmons & Co., New York, N. Y.

**Industrial Minerals Corp., Washington, D. C.**
July 24 filed 600,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To develop and operate graphite and mica properties in Alabama. **Underwriters**—Dearborn & Co. and Carr-Rigdom & Co., both of Washington, D. C., on a best efforts basis.

**Industro Transistor Corp. (N. Y.)**
Feb. 28 filed 150,000 shares of common stock (par 10 cents). **Price**—To be related to the market price. **Proceeds**—For working capital and to enlarge research and development department. **Underwriter** — S. D. Fuller & Co., New York. **Offering**—Being held in abeyance.

**International Opportunity Life Insurance Co.**
June 2 filed 5,000,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital and other corporate purposes. **Office**—Denver, Colo. **Underwriter**—Columbine Securities Corp., Denver, Colo.

**● International Rectifier Corp. (9/30)**
Sept. 9 filed 180,000 shares of common stock (par $1), of which 80,000 shares are to be sold for the account of the company and 100,000 shares for selling stockholders. **Price**—To be supplied by amendment. **Proceeds** — For general corporate purposes. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif., and New York, N. Y.

**Investors Realty Mortgage & Financial Corp.**
July 24 filed $250,000 of investors income certificates (6% 10-year maturities) and 125,000 shares of class A common stock. **Price**—The certificates will be offered in various denominations at 100% per certificate, and the class A common stock at $2 per share. **Proceeds**—For the purpose of owning, buying and selling, and otherwise dealing in real estate, or matters pertaining to real estate and the improvement thereof, in the areas in which the company will operate. **Office**—Aiken, S. C. **Underwriter**—None.

**★ Investors Stock Fund, Inc.**
Sept. 11 filed (by amendment) 5,000,000 shares of capital stock (par 50 cents). **Price**—At market. **Proceeds**—For investment. **Office**—Minneapolis, Minn.

**Israel-Negev Petroleum Corp.**
Aug. 29 filed 750,000 shares of capital stock (par 20 cents). **Price**—$1 per share; but the company may grant to purchasers of 100,000 or more shares a discount of 37½% from the offering price. **Business**—To engage primarily in the business of exploring for, acquiring interests in, developing and operating oil and gas properties in Israel. **Proceeds**—For drilling and exploration purposes. **Underwriter**—Alkow & Co., Inc. (formerly Henry Montor Associates, Inc.), New York.

**Kinsman Manufacturing Co., Inc.**
Aug. 25 (letter of notification) 1,482 shares of common stock (no par). **Price** — $100 per share. **Proceeds** — To pay off short-term obligations and to improve working capital. **Office**—90 Mill St., Laconia, N. H. **Underwriter**—None.

**Laclede Gas Co.**
June 18 filed $10,000,000 of first mortgage bonds due 1983. **Proceeds**—To refund 4⅞% first mortgage bonds due 1982. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Lehman Brothers, Merrill Lynch, Pierce, Fenner & Smith and Reinholdt & Gardner (jointly); Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp. **Bids**—Had been expected to be received up to 11 a.m. (EDT) on July 8, but offering has been postponed indefinitely.

**Laughlin Alloy Steel Co., Inc.**
Aug. 28 filed $500,000 of 6% subordinated callable debentures due June 30, 1968, and 150,000 shares of common stock (par 10 cents) to be offered in units of $100 of debentures and 30 common shares. **Price**—$100 per unit. **Proceeds**—Together with a $175,000 mortgage loan from the American Brake Shoe Co., will be used to meet expenditures in acquiring latter company's South San Francisco foundry and for working capital. **Offices**—Las Vegas, Nev., and South San Francisco, Calif. **Underwriter**—Sam Watson Co., Inc., Little Rock, Ark., on a best efforts basis.

**Leader-Cleveland Realty Associates, N. Y.**
July 16 filed $1,280,000 of participations in partnership interests. **Price**—$10,000 per participation. **Proceeds**—To purchase the Leader Building in Cleveland, Ohio. **Underwriter**—None.

**Life Insurance Securities Corp.**
March 28 filed 1,000,000 shares of capital stock (par $1). **Price**—$5 per share. **Proceeds**—To acquire stock control of "young, aggressive and expanding life and other insurance companies and related companies and then to operate such companies as subsidiaries." **Underwriter**—First Maine Corp., Portland, Me.

**Longren Aircraft Co., Inc.**
June 18 (letter of notification) 34,000 shares of common stock (par $1). **Price**—From 80 cents to $1.40 per share. **Proceeds**—To go to selling stockholders. **Office**—24751 Crenshaw Blvd., Torrance, Calif. **Underwriter**—Daniel Reeves & Co., Beverly Hills, Calif.

**Lowell Gas Co., Lowell, Mass.**
Aug. 28 filed 15,400 shares of common stock (par $25). Of this stock, 12,000 shares are to be offered in behalf of the issuing company and 3,400 shares by American Business Associates, present owner of 68,178 (98.86%) of the 68,962 outstanding shares. The 12,000 shares are to be offered for subscription by existing stockholders at the rate of two new shares for each 11 shares now owned; but the parent will not exercise its rights to its pro rata share. **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, will be applied to pay short-term construction notes payable to banks, and any balance will be applied to reimburse the company for expenditures made for property additions. **Underwriter**—To be supplied by amendment.

**★ Madison Gas & Electric Co. (10/7)**
Sept. 10 filed $11,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay short-term bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The Milwaukee Co., and Dean Witter & Co. (jointly); The First Boston Corp.; Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Smith; Otis & Co., Inc.; Smith, Barney & Co. and Robert W. Baird & Co. (jointly); Eastman Dillon, Union Securities & Co. **Bids** — Expected to be received up to 11 a.m. (EDT) on Oct. 7.

**Magna Investment & Development Corp.**
May 26 filed 56,000 shares of common stock and $500,000 of 6% convertible debentures. **Price**—For debentures, at par (in $1,000 units); and for common stock, $4.50 per share. **Proceeds**—For contractual obligations, for working capital, and other general corporate purposes. **Business** — To engage primarily in the development and operation of various properties, including shopping centers. **Office**—Salt Lake City, Utah. **Underwriter**—J. A. Hogle & Co., Salt Lake City, Utah.

**Mairs & Power Fund, Inc., St. Paul, Minn.**
Aug. 6 filed 40,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Office**—1002 First National Bank Bldg., St. Paul, Minn.

**Martin Co., Baltimore, Md.**
June 11 filed $25,000,000 of sinking fund debentures, due July 1, 1978. **Proceeds** — Working capital and general corporate purposes. **Price**—To be supplied by amendment. **Underwriter**—Smith, Barney & Co., N. Y. Offering, which was expected on July 2, has been postponed, issue to remain in registration.

**Mason Mortgage & Investment Corp.**
Aug. 20 filed $6,000,000 of warranty and repurchase agreements and 5,000 shares of cumulative preferred stock, 6% dividend series, the latter shares to be offered principally to holders of whole mortgage notes and related warranty agreements, although the company reserves the right to offer such stock to others. **Price**—For preferred stock, at par ($200 per share). **Proceeds**—To be used principally for the purchase of additional mortgage notes for resale to others. **Office**—2633 15th Street, N. W., Washington, D. C. **Underwriter**—None.

**Mayfair Markets**
March 24 (letter of notification) 5,000 shares of 6% cumulative preferred stock (par $50) and 5,000 shares of common stock (par $1) to be offered in units of one share of preferred and one share of common stock. **Price**—$60 per unit. **Proceeds**—For working capital. **Office**—4383 Bandini Blvd., Los Angeles, Calif. **Underwriter**—None.

**● Middle States Telephone Co. of Illinois**
Aug. 20 (letter of notification) 12,906 shares of common stock (par $10) being offered for subscription by stockholders of record Sept. 16, 1958 on the basis of one new share for each 12½ shares held as of record Sept. 16; rights to expire on Sept. 30. **Proceeds** — To discharge short term loans and for working capital. **Office** — 416 Margaret St., Pekin, Ill. **Underwriter**—None.

**Mid-West Durex Co., Kansas City, Mo.**
July 14 filed 725,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For construction of plant and for working capital. **Underwriter**—Investment Sales, Inc., 532 E. Alameda Ave., Denver 9, Colo.

**Midwest No-Joint Concrete Pipe Co.**
Aug. 22 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital. **Address**—P. O. Box 550, Rocky Ford, Colo. **Underwriter**—IAI Securities Corp., Englewood, Colo.

**Milgo Electronic Corp.**
Aug. 6 (letter of notification) 10,000 shares of common stock (par $1) to be offered for subscription by present stockholders on the basis of one share for each 8.8 shares owned of record date. Rights expire in September. **Price**—$24 per share to stockholders; $26 to general public. **Proceeds**—For test equipment and working capital. **Office**—7601 N. W. 37th Avenue, Miami, Fla. **Underwriter**—None.

**Minerals Consolidated, Inc., Salt Lake City, Utah**
Aug. 29 filed 1,000,000 units, each consisting of one share of common stock (par 10 cents) and two warrants to purchase one common share. **Price**—$1 per unit. **Proceeds**—For drilling, exploration and development of oil and gas properties. **Underwriter**—None.

**★ Missiles-Jets & Automation Fund, Inc.**
Sept. 11 filed (by amendment) 250,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Office**—Washington, D. C.

**Montana Power Co.**
July 1 filed $20,000,000 of first mortgage bonds due 1988. **Proceeds** — Together with other funds, to be used to repay $15,500,000 in bank loans and to carry on the company's construction program through 1959. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Bros.; Merrill Lynch, Pierce, Fenner & Smith, and Stone & Webster Securities Corp. (jointly); White, Weld & Co.; Eastman Dillon, Union Securities & Co.; Kidder Peabody & Co., Smith, Barney & Co. and Blyth & Co., Inc. (jointly). **Bids**—Had been expected to be received up to noon (EDT) on Aug. 26 at Room 2033, Two Rector St., New York, N. Y., but company on Aug. 22 again decided to defer sale pending improvement in market conditions.

**Montana Power Co.**
July 1 filed 100,000 shares of common stock (no par). The stock will be offered only to bona fide residents of Montana. **Price**—To be related to the current market price on the New York Stock Exchange. **Proceeds**—Together with other funds, to carry on the company's construction program through 1959. **Manager-Dealers**—Smith, Barney & Co., Kidder, Peabody & Co. and Blyth & Co., Inc.

**Mortgages, Inc.**
July 28 (letter of notification) 296,750 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—To be invested in notes secured by first and second liens upon properties to be selected by the management of the company. **Office**—223A Independence Building, Colorado Springs, Colo. **Underwriter**—Copley & Co., Colorado Springs, Colo.

**Motion Picture Investors Inc.**
July 11 filed 200,000 shares of common stock (par $1). **Price**—$10.75 per share. **Proceeds**—For investment. **Office**—1000 Power & Light Bldg., Kansas City, Mo. **Underwriter**—None.

**Mountain States Telephone & Telegraph Co. (9/30)**
Sept. 3 filed 700,961 shares of capital stock to be offered for subscription by stockholders of record Sept 26, 1958 at rate of one new share for each five shares held; rights to expire on Oct. 24, 1958. **Price** — At par ($100 per share). **Proceeds** — To repay advances from American Telephone & Telegraph Co., the parent; and for general corporate purposes. **Underwriter**—None. **Control**—The parent owns over 80% of the 3,504,809 outstanding shares.

**Municipal Investment Trust Fund, Inc. (N. Y.)**
May 9, 1957 filed 5,000 units of undivided interests in Municipal Investment Trust Fund, Series A. **Price**—At market. **Proceeds**—For investment. **Sponsor**—Ira Haupt & Co., New York.

**National Beryl & Mining Corp., Estes Park, Colo.**
May 16 (letter of notification) 2,916,000 shares of non-assessable common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Underwriter**—Birkenmayer & Co., Denver, Colo.

**National Educators Finance Corp.**
June 4 (letter of notification) 50,000 shares of common stock. **Price**—At par (50 cents per share). **Proceeds**—To train and procure persons to implement and carry out the projected plan of development and operation. **Office**—1406 Pearl St., Boulder, Colo. **Underwriter**—Western Securities Co., Boulder, Colo.

**● National Fuel Gas Co. (10/1)**
Aug. 22 filed $25,000,000 of sinking fund debentures due Oct. 1, 1983 (subsequently reduced by amendment to $10,000,000). **Proceeds**—To repay bank loans. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Stone & Webster Securities Corp. (jointly); White, Weld & Co.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co. and Wertheim & Co. (jointly); The First Boston Corp. **Bids**—Expected to be received up to 11:30 a.m. (EDT) on Oct. 1 at Room 2033, Two Rector St., New York 6, N. Y.

**Nebraska Consolidated Mills Co., Omaha, Neb.**
Sept. 9 filed 49,423 shares of common stock (par $10) to be offered for subscription by common stockholders at rate of one new share for each eight shares held (with an oversubscription privilege). **Price** — $10 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None.

**Nedow Oil Tool Co.**
May 5 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—To pay loan; to acquire fishing tools for leasing; and for working capital. **Office**—931 San Jacinto Bldg., Houston, Tex. **Underwriter**—T. J. Campbell Investment Co., Inc., Houston, Tex.

**New England Telephone & Telegraph Co.**
July 31 filed $40,000,000 of 34-year debentures due Sept. 1, 1992. **Proceeds** — To refund a like amount of 4½% first mortgage bonds, series B, due May 1, 1961, which are intended to be redeemed on Nov. 1, 1958. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co. **Bids**—Were to have been received at Room 2315, 195 Broadway, New York, N. Y., up to 11 a.m. (EDT) on Aug. 26, but company on Aug. 20 decided to postpone refunding program.

● **North Carolina Natural Gas Corp. (9/22-26)**
July 31 filed $5,200,000 of subordinated income debentures due Aug. 15, 1983, and 520,000 shares of common stock (par $2.50) to be offered in units of $20 of debentures and two shares of stock. **Price**—To be supplied by amendment (a maximum of $33 per unit). **Proceeds** — Together with funds from private placement of $13,750,000 of 5⅝% first mortgage pipeline bonds due June 1, 1979, to be used for construction program and working capital. **Office**—Fayetteville, N. C. **Underwriter**—Kidder, Peabody & Co., New York.

**North Carolina Telephone Co.**
June 19 (letter of notification) 207,143 shares of common stock to be offered to common stockholders at the ratio of one share for each six shares held. **Price**—At par ($1 per share). **Proceeds**—To pay off obligations and for telephone plant construction. **Underwriter**—None.

**Northwest Gas & Oil Exploration Co.**
Aug. 22 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For acquisition of additional gas and oil interests and corporate administrative expenses. **Office**—150 Broadway, New York 38, N. Y. **Underwriter** — Greenfield & Co., Inc., New York 5, N. Y.

★ **Northwestern Steel & Wire Co. (10/8)**
Sept. 12 filed 125,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Blyth & Co., Inc., New York.

**Norway (Kingdom of) (9/24)**
Sept. 5 filed $15,000,000 of 15-year external loan bonds of 1958, due Oct. 1, 1973. **Price** — To be supplied by amendment. **Proceeds**—To acquire and import capital equipment required for development of the Norwegian economy. **Underwriters** — Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.; Lazard Freres & Co.; and Smith, Barney & Co.; all of New York.

**Oak Ridge, Inc.**
Sept. 4 (letter of notification) 100,000 shares of common stock (par $1). **Price** — $3 per share. **Proceeds** — For working capital. **Office**—11 Flamingo Plaza, Hialeah, Fla. **Underwriter** — Henry & Associates, Inc., 11 Flamingo Plaza, Hialeah, Fla.

● **Oil Inc., Salt Lake City, Utah**
April 4 filed 597,640 shares of common stock (par $1) to be offered for subscription by common stockholders of record March 24, 1958 at the rate of 1¼ new shares for each share then held. Employees may purchase 50,000 shares of unsubscribed stock. **Price**—To stockholders, $1.75 per share; and to public, $2 per share. **Proceeds**—For mining, development and exploration costs, and for working capital and other corporate purposes. **Underwriters**—Harrison S. Brothers & Co., and Whitney & Co., both of Salt Lake City, Utah. Statement effective Sept. 10.

**Oil & Mineral Operations, Inc., Tulsa, Okla.**
April 14 filed 200,000 shares of common stock. **Price**—$2.50 per share. **Proceeds**—For payment of loans, various—To acquire and operate mining claims and oil and gas equipment, and a reserve for future operations. **Business** properties. **Underwriter**—Universal Securities Co., Enterprise Building, Tulsa, Okla.

**O. T. C. Enterprises Inc.**
March 6 (letter of notification) 23,200 shares of common class B stock (par $1). **Price**—$5 per share. **Proceeds**—For completion of plant plans; land; construction and operating expenses. **Office**—2502 N. Calvert St., Baltimore 18, Md. **Underwriter**—Burnett & Co., Sparks, Md.

★ **Pako Corp.**
Sept. 5 (letter of notification) 26,300 shares of common stock (par $5). **Price**—$11 per share. **Proceeds**—To purchase equipment and for working capital. **Office**—1010 Lyndale Ave., North, Minneapolis, Minn. **Underwriter**—None.

**Paradox Production Corp., Salt Lake City, Utah**
April 18 filed 767,818 shares of common stock (par $1), of which 100,000 shares are to be offered by the company in exchange for oil and gas properties and 3,000 for services; the remaining 664,818 shares are to be offered to the public. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Market Securities, Inc., Salt Lake City, Utah. Statement effective June 5.

**Peckman Plan Fund, Inc., Pasadena, Calif.**
May 19 filed 20,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—Investors Investments Corp., Pasadena, Calif.

**Peerless Weighing & Vending Machine Corp.**
June 27 (letter of notification) a maximum of 25,000 shares of common stock (par $1) to be offered to minority stockholders on the basis of one new share for each four shares held. Any unsubscribed shares will be purchased by Rock-Ola Mfg. Corp. Warrants expire 20 days from date of issuance. **Price**—$4.25 per share. **Proceeds**—For working capital. **Office**—800 N. Kedzie Ave., Chicago 51, Ill. **Underwriter**—None.

★ **Penberthy Instrument Co., Inc.**
Sept. 12 (letter of notification) 46,182 shares of class A common stock (par $2.50) and 2,511 shares of class B common stock (par $2.50). **Price**—Class A stock, $4.50 per share; of class B stock, $5.25 per share. **Proceeds**—To purchase supplies and for working capital. **Office**—4301-6th Ave., South, Seattle, Wash. **Underwriter**—None.

★ **Pennroad Corp. (10/1)**
Sept. 12 filed 1,286,619 shares of common stock (par $1) to be offered for subscription by common stockholders of record Oct. 1, 1958 on the basis of one new share for each four shares held (with an oversubscription privilege); rights to expire Oct. 15. **Price**—To be supplied by amendment. **Proceeds**—For additional investments and general corporate purposes. **Underwriter**—Kuhn, Loeb & Co., New York.

**Pennsylvania Power Co.**
Aug. 1 filed $8,000,000 of first mortgage bonds due 1988. **Proceeds**—To redeem a like amount of 5% first mortgage bonds due 1987. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White Weld & Co.; Equitable Securities Corp., and Shields & Co. (jointly); Lehman Brothers, Eastman Dillon, Union Securities & Co., Salomon Bros. & Hutzler and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith and Dean Witter & Co. (jointly). **Bids** — Tentatively had been expected to be received up to 11 a.m. (EDT) on Aug. 27 but company on Aug. 22 decided to defer sale pending improvement in market conditions.

★ **Peoples Gas Light & Coke Co. (10/6)**
Sept. 12 filed 447,346 shares of capital stock (par $25) to be offered for subscription by stockholders of record Oct. 2, 1958 at rate of one new share for each 11 shares held; rights to expire on Oct. 20, 1958. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans, for advances to or additional equity investments in subsidiaries and for construction program. **Underwriters**—Glore, Forgan & Co. and The First Boston Corp., both of New York.

★ **Pioneer Telephone Co., Waconia, Minn.**
Sept. 10 (letter of notification) 3,000 shares of 5¼% series F cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For expansion and improvements. **Underwriter**—M. H. Bishop & Co., Minneapolis, Minn.

★ **Pitney-Bowes, Inc.**
Sept. 11 filed $509,000 of participations in the company's Employees' Stock Purchase Plan.

**Policy Advancing Corp.**
March 25 (letter of notification) 30,250 shares of common stock (par $5) to be offered for subscription by common stockholders at the rate of one new share for each share held; unsubscribed shares to be offered to debenture holders and to others. **Price**—$8 per share. **Proceeds**—For working capital. **Office**—27 Chenango St., Binghamton, N. Y. **Underwriter**—None.

**Ponce de Leon Trotting Association, Inc.**
Aug. 7 filed 400,000 shares of common stock (par one cent). **Price**—$1.50 per share. **Proceeds**—To pay current liabilities, for new construction and working capital. **Office**—Bayard, Fla. **Underwriter**—Robert L. Ferman Co., Inc., Miami, Fla.

**Prairie Fibreboard Ltd.**
Aug. 18 filed 209,993 shares of common stock (par $1.50) to be offered for sale to residents of Canada in the Provinces of Manitoba, Saskatchewan and Alberta and to residents of the United States "only in the State of North Dakota." **Price** — $3 per share. **Proceeds** — For construction purpose. **Office** —Saskatoon, Saskatchewan, Canada. **Underwriter**—Allied Securities Ltd., and United Securities, Ltd., both of Saskatoon, Canada.

★ **Precise Development Corp.**
Sept. 8 (letter of notification) 60,000 shares of 20-cent convertible preferred stock (par $1) and 60,000 shares of common stock (par 25 cents) to be offered in units of one share of preferred stock and one share of common stock. **Price**—$5 per unit. **Proceeds**—To reduce outstanding bank loans and for general working capital, etc. **Office** — 2 Neil Court, Oceanside, Long Island, N. Y. **Underwriter**—R. A. Holman & Co., Inc., 54 Wall St., New York, N. Y.

**Preferred Risk Life Insurance Co.**
Sept. 8 filed 250,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To increase capital and surplus. **Office**—Colorado Springs, Colo. **Underwriter**—None.

**Private Enterprise, Inc., Wichita, Kansas**
May 5 filed 125,000 shares of common stock. **Price**—$10 per share. **Proceeds** — To be used to organize, or reorganize and then operate companies in foreign nations, principally, but not exclusively, in the Far East, Near East and Africa. **Underwriter**—None.

● **Public Service Co. of Indiana, Inc.**
Aug. 27 filed 242,826 shares of 4.80% cumulative convertible preferred stock (par $100) being offered for subscription by common stockholders of record Sept. 16, 1958 on the basis of one preferred share for each 20 common shares held; rights to expire on Oct. 6, 1958. **Price**—$100 per share. **Proceeds**—To reduce bank loans. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

**Rassco Financial Corp.**
June 26 filed $1,000,000 of 15-year 6% series A sinking fund debentures due 1973, to be offered in denominations of $500 and $1,000. **Price**—At par. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—Rassco Israel Corp., New York, on a "best efforts" basis.

**Reynolds Engineering & Supply, Inc.**
Aug. 22 (letter of notification) 60,000 shares of common stock (par $1). **Price** — $5 per share. **Proceeds** — For working capital. **Office**—2118 N. Charles St., Baltimore 18, Md. **Underwriter**—L. L. Bost Co., Baltimore, Md.

**Richwell Petroleum Ltd., Alberta, Canada**
June 26 filed 1,998,716 shares of common stock (par $1). Of this stock, 1,174,716 shares are to be sold on behalf of the company and 824,000 shares for the account of certain selling stockholders. The company proposes to offer the 1,174,716 shares for subscription by its shareholders at the rate of one new share for each three shares held (with an oversubscription privilege). The subscription period will be for 30 days following issuance of subscription rights. **Price**—To be supplied by amendment. **Proceeds**—To pay off demand note, to pay other indebtedness, and the balance if any will be added to working capital. **Underwriter** — Pacific Securities Ltd., Vancouver, Canada.

**Riddle Airlines, Inc., Miami, Fla.**
May 15 filed 750,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—James H. Price & Co., Inc., of Coral Gables, Fla., for 250,000 shares; balance on "best efforts" basis.

● **Robosonic National Industries Corp., N. Y.**
June 12 filed 500,000 shares of common stock, class B. **Price**—$3 per share. **Proceeds**—To manufacture on a contract basis an automatic telephone answering instrument; the enlargement of the research and development facilities of the company; patent and patent applications; public relations, and for working capital. **Underwriter**—None. Statement effective Sept. 4.

**Rocky Mountain Quarter Racing Association**
Oct. 31, 1957 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To repay outstanding indebtedness. **Office**—Littleton, Colo. **Underwriter**—R. B. Ford Co., Windover Road, Memphis, Tenn.

**St. Regis Paper Co., New York**
July 8 filed 118,746 shares of common stock (par $5) being offered in exchange for outstanding shares of capital stock of Growers Container Corp., Salinas, Calif., on the basis of one St. Regis share for 18 shares of stock of Growers Container. The offer expires on Sept. 29. **Underwriter**—None. Statement effective Aug. 28.

**Sheridan-Belmont Hotel Co.**
Aug. 19 (letter of notification) $250,000 of 6% convertible debentures due Sept. 15, 1963 to be offered for subscription by common stockholders on a pro rata basis. **Price**—At par. **Proceeds**—For working capital. **Office** — 3172 North Sheridan Rd., Chicago 14, Ill. **Underwriter**—None.

**Simplicity Pattern Co. Inc., N. Y.**
Aug. 15 filed 42,500 shares of common stock (par $1). **Price**—At the market or at a price within a range not less than the bid price and not higher than the asking price quoted on the New York Stock Exchange at the time of offering. The shares will also be offered from time to time on such Exchange at a price within the foregoing range. **Proceeds**—To go to Joseph M. Shapiro, the selling stockholder. **Underwriter** — Lee Higginson Corp., New York. **Offering**—Indefinitely postponed.

**South Carolina Electric & Gas Co.**
Aug. 12 filed $10,000,000 first and refunding mortgage bonds due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co.; The First Boston Corp., and Lehman Brothers (jointly). **Bids**—Had been expected to be received up to 11:30 a.m. (EDT) on Sept. 10, at 70 Broadway, New York, N. Y., but sale has been postponed.

**Standard Oil Co. (New Jersey)**
July 31 filed 11,406,078 shares of capital stock (par $7) being offered in exchange for Humble Oil & Refining Co. capital stock at rate of five Standard Oil shares for each four Humble Oil shares. The offer is expected to remain open until Oct. 14, 1958. **Exchange Agent**—Morgan Stanley & Co., New York.

**Stanway Oil Corp.**
Aug. 14 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For development and operation of an oil well. **Office** — 9151 Sunset Blvd., Los Angeles 46, Calif. **Underwriter**—U. S. Corporation Co., Jersey City, N. J.

**State Life, Health & Accident Insurance Co.**
July 9 (letter of notification) 50,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To be invested in stocks and bonds and to acquire other life insurance companies. **Address**—P. O. Box 678, Gulfport, Miss. **Underwriter**—Gates, Carter & Co., Gulfport, Miss.

**Strategic Minerals Corp. of America, Dallas, Tex.**
March 31 filed $2,000,000 of first lien mortgage 6% bonds and 975,000 shares of common stock (par 10 cents). **Price**—For bonds, 95% of principal amount; and for stock $3 per share. **Proceeds**—To erect and operate one or more chemical processing plants using the Bruce - Williams Process to beneficiate manganese ores. **Underwriter**—Southwest Shares, Inc., Austin, Texas.

**Strouse, Inc.**
July 29 (letter of notification) 26,850 shares of common stock (par 10 cents) to be issued upon exercise of warrants. **Price**—$1 per share. **Office**—Main & Astor Sts., Norristown, Pa. **Underwriter**—H. A. Riecke & Co., Inc., Philadelphia, Pa.

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**● Tax Exempt Bond Fund, Inc., Washington, D. C.**
June 20, 1957 filed 40,000 shares of common stock (public offering of 500,000 shares now planned). **Price**—$25 per share. **Proceeds**—For investment. **Underwriter**—Equitable Securities Corp., Nashville, Tenn. Statement withdrawn on Aug. 22.

**★ Tennessee Gas Transmission Co.**
Sept. 11 filed 467,098 shares of common stock (par $5) to be offered in exchange for outstanding capital stock (5,766.633 shares) of Hartol Petroleum Corp. on the basis of 81 shares of Tennessee Gas stock for each Hartol share.

**Texas Calgary Co., Abilene, Texas**
April 30 filed 2,000,000 shares of capital stock (par 25 cents). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholder. **Underwriter**—Thomson Kernaghan & Co., Ltd., Toronto, Canada. To be offered in Canada only.

**● Thiokol Chemical Corp.**
Aug. 22 filed 106,669 shares of capital stock (par $1) being offered for subscription by stockholders of record Sept. 17 at the rate of one new share for each 12 shares held; rights to expire on Oct. 1. **Price**—$42 per share. **Proceeds**—To be added to the company's general funds and be available for general corporate purposes, including expansion of facilities principally at its Utah Division. **Underwriter**—Kidder, Peabody & Co., New York.

**Thomas Paint Products Co.**
May 26 (letter of notification) 1,250 shares of common stock (par $10) and $37,500 of 6% serial subordinated debentures series 1958, to be offered in units of one share of stock and $50 principal amount of debentures to be offered to stockholders on the basis of one unit for each two shares of stock owned (500 of the shares are being offered to the President of the company). **Price**—$60 per unit. **Proceeds**—For working capital. **Office**—543 Whitehall St., S. W., Atlanta, Ga. **Underwriter**—None.

**Timeplan Finance Corp.**
March 25 (letter of notification) 27,272 shares of 70-cent cumulative preferred stock (par $5) and 27,272 shares of common stock (par 10 cents) to be offered in units of one share to each class of stock. **Price**—$11 per unit. **Proceeds**—For working capital. **Office**—111 E. Main St., Morristown, Tenn. **Underwriter**—Valley Securities Corp., Morristown, Tenn.

**Tip Top Oil & Gas Co., Salt Lake City, Utah**
April 15 filed 220,000 shares of common stock, of which 200,000 shares are to be publicly offered. **Price**—$5 per share. **Proceeds**—To drill two new wells and for general corporate purposes. **Underwriter**—Andersen-Randolph & Co., Inc., Salt Lake City, Utah.

**Trans-America Uranium Mining Corp.**
Nov. 6, 1957 filed 3,000,000 shares of common stock (par one mill). **Price**—25 cents per share. **Proceeds**—For land acquisition, exploratory work, working capital, reserves and other corporate purposes. **Underwriter**—None. Alfred E. Owens of Waterloo, Ia., is President.

**Trans-Eastern Petroleum Inc.**
Feb. 27 (letter of notification) 7,500 shares of common stock (par $1) to be offered pro-rata to stockholders on the basis of one new share for 10 shares owned. **Price**—$4 per share. **Proceeds**—For drilling for oil and gas. **Office**—203 N. Main Street, Coudersport, Pa. **Underwriter**—None.

**Treasure Hunters, Inc., Washington, D. C.**
Aug. 14 filed 1,946,499 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For research program, exploration, and it is hoped, recovery of buried and sunken treasure and exploitation of lost mines and other mineral deposits. **Office**—130 East 18th Street, Brooklyn 26, N. Y. Daniel Stack is President. **Underwriter**—None.

**Tricon, Inc.**
Aug. 8 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To pay expenses and cost of plant option; for first year's payment on instalment purchase contract for land and improvements; for construction of plant, tools and equipment; advertising and working capital. **Office**—540 Steamboat Rd., Greenwich, Conn. **Underwriter**—Sano & Co., New York, N. Y.

**Triton Corp., Newark, N. J.**
Aug. 1 filed $1,600,000 of 5% debentures due 1973, 4,000 shares of 6% preferred stock (par $100) and 48,000 shares of common stock (par $1) to be offered in units of $8,000 of debentures, 20 shares of preferred stock and 240 shares of common stock. **Price**—$10,240 per unit. **Proceeds**—To acquire, own and operate interests in producing oil and gas properties. **Underwriter**—None. **Office**—11 Commerce Street, Newark, N. J. Timothy H. Dunn is President.

**● Tropical Gas Co., Inc., Miami, Fla. (9/16)**
Aug. 22 filed 25,544 shares of convertible preferred stock (par $100) to be offered for subscription by common stockholders of record Sept. 9, 1958, at the rate of one preferred share for each 27 shares held; rights to expire about Oct. 2. **Price**—To be supplied by amendment. **Proceeds**—To acquire the capital stock of Southeastern Natural Gas Corp., for payment of the company's outstanding short-term bank loans and short-term notes payable to suppliers, to the repurchase of notes receivable currently discounted, and the balance for general corporate purposes. **Underwriter**—Glore, Forgan & Co., New York. **Offering**—Expected today (Sept. 18).

**Tungsten Mountain Mining Co.**
Aug. 11 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—To extinguish present indebtedness, increase reserve for contingencies and working capital. **Office**—511 Securities Bldg., Seattle 1, Wash. **Underwriter**—H. P. Pratt & Co., 807 Hoge Bldg., Seattle 4, Wash.

**Twentieth Century Investors, Inc., Kansas City, Mo.**
June 20 filed 2,000,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—Stowers & Co., Kansas City, Mo.

**Twentieth Century Investors Plan, Kansas City, Mo.**
June 20 filed $10,000,000 of plans for the accumulation of shares of Twentieth Century Investors, Inc. **Price**—At market. **Proceeds** — For investment. **Underwriter**—Stowers & Co., Kansas City, Mo.

**United Asbestos Corp., Ltd., Montreal, Canada**
July 29 filed 225,000 shares of capital stock (par $1) to be issued upon exercise of options exercisable at $4 per share. **Proceeds**—To pay outstanding liabilities, to increase working capital and for general corporate purposes. **Underwriter**—None.

**United Employees Insurance Co.**
April 16 filed 2,000,000 shares of common stock (par $5). **Price** — $10 per share. **Proceeds** — For acquisition of operating properties, real and/or personal, including office furniture, fixtures, equipment and office space, by lease or purchase. **Office** — Wilmington, Del. **Underwriter**—None. Myrl L. McKee of Portland, Ore., is President.

**United Life & Accident Insurance Co.**
Aug. 8 (letter of notification) 410 shares of capital stock (par $20) being offered for subscription by stockholders of record Aug. 29, 1958 on the basis of one new share for each 10 shares held (with an oversubscription privilege); rights to expire Sept. 30, 1958. **Price** — $375 per share. **Proceeds**—For operating a life insurance and a sickness and accident insurance company. **Office**—2 White St., Concord, N. H. **Underwriter**—None.

**United Security Life & Accident Insurance Co.**
Aug. 22 filed 120,000 shares of class A common stock. **Price**—$3 per share. **Proceeds**—To provide the reserves required to be held in life and accident insurance policies, and to pay the necessary expenses in producing insurance. **Office**—Louisville, Ky. **Underwriter**—None. Edmond M. Smith, is President.

**U. S. Land Development Corp.**
Aug. 15 filed 1,200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To be added to the company's general funds and used to develop Pineda Island near Mobile, Ala. **Office** — Fort Lauderdale, Fla. **Underwriter**—Palm Beach Investment Co., Inc., 308 South County Road, Palm Beach, Fla.

**● United States Telemail Service, Inc.**
**(Name changed to American Telemail Service, Inc.)**
Feb. 17 filed 375,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To purchase equipment and supplies and for working capital and other corporate purposes. **Office**—Salt Lake City, Utah. **Underwriter**—Amos Treat & Co., Inc., of New York.

**● Universal-Cyclops Steel Corp. (9/29-10/3)**
Aug. 5 filed $22,500,000 of sinking fund debentures due Sept. 1, 1978. **Price**—To be supplied by amendment. **Proceeds**—To repay $10,300,000 of bank loans and for construction program. **Underwriter**—A. G. Becker & Co., Inc., Chicago, Ill., and New York, N. Y.

**Universal Oil Recovery Corp., Chicago, Ill.**
June 4 filed 37,500 shares of class A common stock. **Price**—$4 per share. **Proceeds**—For exploration and development of properties, and the balance for other corporate purposes. **Underwriter**—None.

**Uranium Corp. of America, Portland, Ore.**
April 30, 1957 filed 1,250,000 shares of common stock (par 16 cents). **Price**—To be supplied by amendment (expected to be $1 per share). **Proceeds**—For exploration purposes. **Underwriter**—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

**Utah Minerals Co.**
April 11 (letter of notification) 900,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—305 Main St., Park City, Utah. **Underwriter**—Walter Sondrup & Co., Salt Lake City, Utah.

**Utah Oil Co. of New York, Inc.**
May 6 (letter of notification) 300,000 shares of capital stock. **Price** — At par ($1 per share). **Proceeds** — For development of oil and gas lands. **Office**—574 Jefferson Ave., Rochester 11, N. Y. **Underwriter**—Frank P. Hunt & Co., Inc., Rochester, N. Y.

**Utah Power & Light Co.**
June 26 filed $20,000,000 of first mortgage bonds due 1988. **Proceeds**—To redeem $15,000,000 of first mortgage bonds, 5¼% series due 1987, to repay $4,000,000 of bank borrowings, and the balance together with further borrowings under a bank agreement and cash generated in the business will be used to carry forward the construction program of the company and its subsidiaries amounting to approximately $43,000,000 for the period 1958-1960. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp. and Blyth & Co. Inc. (jointly); White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Salomon Brothers & Hutzler; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co., and Smith, Barney & Co. (jointly). **Bids**—Were to have been received in Room 2033, 2 Rector Street, New York, N. Y., up to noon (EDT) on Sept. 9, but were postponed on Sept. 3. Bids will now be received on such day subsequent to Sept. 22, 1958 but not later than Nov. 25, 1958 as shall be designated by company.

**Wellington Equity Fund, Inc. (10/1)**
Aug. 29 filed 2,000,000 shares of capital stock (par $1). **Price**—$12 per share. **Proceeds**—For investment. **Underwriters**—Kidder, Peabody & Co., Bache & Co., Reynolds & Co. Inc. and Dean Witter & Co., all of New York.

**Western Carolina Telephone Co., Weaverville, N. Car.**
June 6 filed 89,391 shares of common stock to be offered for subscription by holders of outstanding common stock at the rate of one new share for each three shares held. The record date is to be supplied by amendment. **Price**—At par ($5 per share). **Proceeds**—To be applied to the payment of $700,000 of short-term bank loans incurred in carrying forward the company's construction and conversion program. **Underwriter**—None.

**Western Industrial Shares, Inc., Denver, Colo.**
July 16 filed 1,000,000 shares of common stock (par 25 cents). **Price**—$5 per share. **Proceeds**—For investment. **Underwriter** — Andersen, Randolph & Co., Inc., 65 So. Main St., Salt Lake City, Utah.

**Westland Oil Co., Minot, N. Dak.**
April 17 filed 7,799 shares of capital stock to be offered for subscription by stockholders of record March 24 at rate of one new share for each four shares held and one additional share for the balance of such holdings in excess of the number of shares divisible by four; also to be offered holders of outstanding 5% subordinated debentures of record March 24 at rate of five shares for each $1,000 of debentures then held. **Price** — $60 per share. **Proceeds**—For working capital. **Underwriter**—None.

**Willer Color Television System, Inc.**
April 2 (letter of notification) 72,035 shares of common stock (par $1) of which 10,000 are to be offered to stockholders at $2 per share and the remaining 62,035 shares are to be publicly offered at $3 each. **Proceeds** — For general corporate purposes. **Office**—151 Adell Avenue, Yonkers, N. Y. **Underwriter** — Edwin Jefferson, 39 Broadway, New York 6, N. Y.

**●Wisconsin Electric Power Co. (9/24)**
Sept. 3 filed 510,005 shares of common stock (par $10) to be offered for subscription by holders of outstanding common at the rate of one new share for each 10 shares held as of Sept. 24, 1958 (with an oversubscription privilege); rights to expire on Oct. 14. **Price**—To be supplied by amendment. **Proceeds**—For capital expenditures. **Underwriter**—None.

# Prospective Offerings

**Acme Steel Co.**
March 21 it was announced that the company plans additional financing this year, in the form of common stock, preferred stock, or a combination of the two, including bank loans. **Proceeds**—For expansion program, working capital and inventories. **Underwriters**—Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Smith.

**Arabol Manufacturing Co., N. Y. (10/9)**
Sept. 9 it was announced that bids will be received at the Department of Justice, Office of Alien Property, Room 664, 101 Indiana Ave., N. W., Washington 25, D. C., by 11 a.m. (EDT) on Oct. 9, 1958, for the purchase from the Attorney General of the United States as an entirety, 515.6 shares of common capital stock (par $100) and 210 shares of 6% cumulative preferred capital stock (par $100) of this company.

**Austria (Republic of)**
July 15 it was announced that the country contemplates the issuance and sale of $30,000,000 bonds. **Proceeds**—For electric power projects and other improvements. **Underwriter**—May be Kuhn, Loeb & Co., New York. **Offering**—Expected in October or early November.

**★ Bank of Asheville (N. C.)**
Sept. 10 it was announced Bank is offering to its stockholders of record Aug. 22, 1958, the right to subscribe on or before Sept. 30, 1958, for 5,000 additional shares of capital stock (par $10) on the basis of one new share for each 4½ shares held. **Price**—$30 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—McCarley & Co., Asheville, N. C.

**Bank of New York**
Sept. 9 it was announced stockholders will vote Sept. 30 on increasing the capital stock by 110,000 shares to a total of 270,000 shares. Following approval, it is proposed to issue 80,000 shares as a 50% stock dividend and offer to stockholders the right to subscribe for the remaining 30,000 shares in the ratio of one new share for each eight shares held after giving effect to the stock distribution. **Price**—To be determined by trustees at a later date. **Proceeds**—To increase capital and surplus. **Underwriter**—Morgan Stanley & Co., New York.

**California Electric Power Co.**
July 14 it was announced company contemplates marketing between $5,000,000 and $7,000,000 securities in October, 1958. Neither the exact date of the offering nor the nature of the securities to be offered has been determined. Decision on these two points will probably **Proceeds**—To repay bank loans.
not be reached until mid-August or early September.

**★ Central Electric & Gas Co.**
Sept. 11 the company applied to the Nebraska Railway Commission for authority to sell up to 100,000 shares of common stock (par $3.50) and up to $3,000,000 convertible debentures. **Underwriters** — Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.

**Central Hadley Corp.**
The shareholders of the company at a special meeting held on June 25, approved an amendment to the certificate of incorporation authorizing an issue of 200,000

shares of 5% cumulative convertible preferred stock (par $10). Convertible into common stock at the rate of $2.86 per share. **Proceeds**—To retire outstanding notes of a subsidiary in the amount of $768,000.

**Central Louisiana Electric Co., Inc.**
March 28 it was announced that the company's financing program for the year 1958 anticipates the sale of both debt and equity securities (probably preferred stock aggregating approximately $5,000,000. Both issues may be placed privately.

★ **Chicago & North Western Ry (9/30)**
Bids will be received by the company up to noon (CDT) on Sept. 30 for the purchase from it of $1,875,000 equipment trust certificates (the first installment of an authorized issue of $5,625,000). They will be dated Oct. 15, 1958 and will mature in 15 equal annual installments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

**Cincinnati & Suburban Bell Telephone Co. (10/21)**
July 7 it was announced that the directors have authorized the sale of not exceeding $25,000,000 debentures having a maturity of not more than 35 years. **Proceeds**—To repay advances received from American Telephone & Telegraph Co. which owns 29% of the outstanding common stock of the company. **Underwriter** — To be determined by competitive bidding. Probable bidders Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Glore Forgan & Co. and Eastman Dillon Union Securities & Co. (jointly). **Bids**—Expected to be received on or about Oct. 21.

**Commonwealth Edison Co.**
Aug. 25 it was reported that the company may issue and sell $25,000,000 of preferred stock. **Underwriters**—May be The First Boston Corp. and Glore Forgan & Co., both of New York. **Offering**—Expected late in 1958 or during the first three months of 1959.

**Cosden Petroleum Co.**
Aug. 18 it was reported that the stockholders are to vote Sept. 15 on approving a proposed offering of $10,000,000 20-year convertible subordinated debentures. **Underwriter**—Dillon, Read & Co., Inc., New York.

**Denmark (Kingdom of)**
Sept. 2 it was reported that an issue of between $20,000,000 to $30,000,000 may possibly be placed on the American market this year. **Underwriter**—Kuhn, Loeb & Co., New York.

● **Duffy-Mott Co.**
Sept. 15 it was reported that an offering of 250,000 shares of common stock is planned (including 100,000 for company and 150,000 shares for selling stockholders. **Business** — A leading processor of "Sunsweet" prune juice, and "Clapp" baby foods. **Underwriter** — Kidder, Peabody & Co., New York.

**Equitable Gas Co.**
July 18 it was announced that the company expects later in the year to issue and sell additional securities, probably preferred stock, to secure approximately $5,000,000 of additional funds. **Proceeds**—Together with $7,000,000 from private sale of 4½% bonds, to repay short-term bank loans and for construction program. **Underwriters**—May be The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; and White Weld & Co., all of New York

**Florida Power & Light Co.**
Aug. 20, McGregor Smith, Chairman, announced that the company plans the sale of 300,000 shares of new common stock. **Proceeds**—To finance construction program. **Underwriters**—May be Merrill Lynch, Pierce, Fenner & Smith and Kidder, Peabody & Co., both of New York. **Offering**—Expected in October.

**Gas Service Co.**
March 24 it was reported that company plans to issue $11,000,000 of first mortgage bonds later this year. No decision as yet has been made as to the procedure the company will follow. **Proceeds**—For repayment of short-term notes and loans and for construction program **Underwriter** — If determined by competitive bidding probable bidders may be Halsey, Stuart & Co. Inc. Merrill Lynch, Pierce, Fenner & Smith, and White Weld & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp.; Lehman Brothers.

**General Public Utilities Corp.**
April 7 stockholders approved a plan authorizing the directors, in connection with an offering of common stock to stockholders (on a 1-for-20 basis), also to offer certain shares on the same terms to employees, including officers, of System companies. **Clearing Agent**—Merrill Lynch, Pierce, Fenner & Smith, New York. **Offering**—Expected late in November.

● **Grace Line Inc.**
Company plans to issue approximately $18,000,000 of government insured bonds secured by first preferred ship mortgages on the new "Santa Rosa" and "Santa Paula." The financing will comprise two issues of $9,000,000 each. **Underwriters**—Merrill Lynch, Pierce, Fenner and Smith; Paine, Webber, Jackson & Curtis; Smith, Barney & Co.; White, Weld & Co.; and F. Eberstadt & Co., all of New York. **Offerings**—"Santa Rosa" offering expected sometime in October and "Santa Paula" offering late in year.

**Great Atlantic & Pacific Tea Co.**
Feb. 19 it was reported a secondary offering of common voting stock is expected in near future. **Underwriters**—May include: Blyth & Co., Inc.; Carl M. Loeb, Rhoades & Co.; Hemphill, Noyes & Co.; Smith, Barney & Co.; and Merrill Lynch, Pierce, Fenner & Smith.

**Hartford Electric Co.**
Aug. 27 the directors approved a program under which it plans to issue 149,633 shares of common stock (par $25) to be offered first to common stockholders on a 1-for-10 basis; 100,000 shares of preferred stock (par $50); and $18,000,000 of first mortgage bonds. Stockholders will vote Oct. 6 on the proposal and if approved, the company will seek authorization of the Connecticut P. U. Commission. **Underwriter** — Putnam & Co., Chas. W. Scranton & Co. and Estabrook & Co. for any preferred stock. Under previous rights offering to common stockholders unsubscribed common stock was sold to Chas. W. Scranton & Co. Previous bond issues were placed privately. **Offering** — Expected late October or early November.

★ **Hawaiian Electric Co., Ltd.**
Sept. 12 it was announced company plans to offer to its common stockholders the right to subscribe for an additional 42,350 shares of common stock in the near future. **Proceeds** — For construction program. **Underwriter** — None.

**Heublein, Inc.**
Aug. 25 it was reported that the company plans early registration of 400,000 shares of common stock; of which 100,000 shares are to be sold for the account of selling stockholders. **Proceeds**—For expansion. **Underwriter**—Glore, Forgan & Co., New York. **Offering** — Expected sometime in October or November.

**Indiana & Michigan Electric Co. (11/6)**
Aug. 26 it was announced that the company plans early registration of $20,000,000 first mortgage bonds due 1988. **Proceeds**—To retire bank loans used for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halser, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; The First Boston Corp.; Harriman Ripley & Co. Inc. **Bids**—Expected to be received up to 11 a.m. (EST) on Nov. 6. **Registration**—Planned for around Sept. 24.

**Japan (Empire of)**
Aug. 20 it was stated that an issue of between $30,000,000 and $50,000,000 of bonds may soon be publicly offered on the American market. **Proceeds**—For public works projects, etc. **Underwriter**—The First Boston Corp., New York.

**Kansas Gas & Electric Co.**
March 31, G. W. Evans, Chairman, announced that company plans to sell some bonds originally scheduled for mid-year, but which sale may now be deferred until late 1958 or early 1959. **Proceeds**—About $8,000,000 for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith (jointly); Lehman Brothers; Eastman Dillon, Union Securities & Co. and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co., and Goldman Sachs & Co. (jointly).

**Kansas Power & Light Co.**
Feb. 14 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds due 1988. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Harriman Ripley & Co. Inc.; White, Weld & Co.; Blyth & Co., Inc.; Equitable Securities Corp.

**Kentucky Utilities Co.**
June 16 company stated it will sell bonds and/or common stock in the last quarter of 1958. **Underwriters**—For any common stock: Blyth & Co., Inc. and J. J. B. Hilliard & Son. For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Merrill Lynch, Pierce, Fenner & Smith, (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly).

**Laboratory for Electronics, Inc.**
July 3, Henry W. Harding, President, announced that the directors are currently considering refinancing $790,000 of outstanding notes ($658,750 held by a principal stockholder and $131,250 by a bank) on a more permanent basis. This may be done through equity or convertible debenture financing. **Office**—75 Pitts St., Boston, Mass.

★ **Lorillard (P.) Co.**
Sept. 17 company announced it plans to offer its stockholders the right to subscribe for approximately 363,000 additional shares of common stock on the basis of one new share for each eight shares held. **Proceeds** — For general corporate purposes. **Underwriters** — Lehman Brothers and Smith, Barney & Co., both of New York. **Registration**—Expected early in November.

**Master Fund, Inc., Fairfield, Calif.**
Jan. 27 it was announced this newly organized investment company plans to offer to bona fide residents of California 10,000 shares of capital stock (par $1). **Price**—$10 per share, less an underwriting discount of 8½%. **Proceeds**—For investment.

**Michigan Bell Telephone Co.**
Aug. 12 directors approved plans to sell $40,000,000 of 34-year debentures. **Proceeds**—To redeem a like amount of 4¾% debentures due November, 1992. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Had been tentatively scheduled to be received on Sept. 16, but on Aug. 26 it was voted to postpone this refunding program because of present market conditions.

**Midland Enterprises, Inc.**
March 28, company announced it plans to issue on or before Dec. 31, 1958 $3,200,000 of first preferred mortgage bonds. May be placed privately. **Proceeds** — To repay bank loans and for working capital.

**Midwestern Gas Transmission Co.**
March 24 it was announced that this subsidiary of Tennessee Gas Transmission Co. has applied to the Federal Power Commission for permission to issue first mortgage bonds, unsecured notes and common stock. **Proceeds**—To build pipe line system to cost about $111,000,000. **Underwriters** — Stone & Webster Securities Corp. and White Weld & Co., both of New York.

**Montana-Dakota Utilities Co.**
March 24 it was announced the company plans to issue and sell an undetermined amount of first mortgage bonds (about $10,000,000) in the latter part of this year or in early 1959. **Proceeds** — To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Smith and Kidder, Peabody & Co., Inc., (jointly); and Blair & Co., Inc.

**Moore-McCormack Lines, Inc.**
March 24 it was announced company plans to issue and sell $24,000,000 of government insured bonds secured by a first preferred ship mortgage on the liners S. S. Brasil and S. S. Argentina. **Underwriters**—Kuhn, Loeb & Co. and Lehman Brothers, both of New York. **Offering**—Postponed because of uncertain market conditions.

**New York State Electric and Gas Co.**
March 7 it was announced that approximately $7,500,000 from additional financing will be required for construction expenditures for the balance of this year. The management intends to negotiate a new line of credit with a group of banks and expects to sell equity securities later this year or in early 1959, depending upon prevailing market conditions. **Underwriter**—For any common stock: The First Boston Corp., New York.

★ **Norfolk & Western Ry. (10/9) (11/13) (12/18)**
Bids will be received this Fall by the company for the purchase from it of $19,200,000 equipment trust certificates due from 1-to-15 years, viz: Oct. 9, $7,440,000; Nov. 13, $5,310,000; and Dec. 18, $6,450,000. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

**Northern Illinois Gas Co.**
June 10 it was announced company will sell late this year $10,000,000 mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co Inc.; First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc.

**Pacific Gas & Electric Co.**
March 20 it was reported company plans sale of an undetermined amount of bonds and/or preferred stock in the latter part of this year or early 1959. **Underwriter**—(1) For bonds to be determined by competitive bidding. Probable bidlers: The First Boston Corp.; Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; (2) For preferred stock: Blyth & Co., Inc.

**Pacific Telephone & Telegraph Co. (11/18)**
Aug. 22 it was announced company plans to issue and sell $80,000,000 of 32-year debentures due Nov. 1, 1990. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received on Nov. 18.

**Pacific Telephone & Telegraph Co.**
Aug. 22 it was reported company plans to offer to its common and preferred stockholders 1,594,604 additional shares of common stock on the basis of one new share for each eight common or preferred shares held. **Price**—At par ($100 per share). **Proceeds**—To repay advances and to reimburse the treasury for capital expenditures previously made. **Underwriter**—None. **Control**—Of the 832,000 shares of 6% preferred stock (par $100) and 11,936,835 shares of common stock (par $100) outstanding as of Dec. 31, 1957, there were owned by the American Telephone & Telegraph Co. 640,957 preferred shares and 10,790,943 common shares.

**Panama (Republic of)**
July 14 it was announced a public offering is expected of approximately $26,000,000 external bonds. **Proceeds**—To redeem certain outstanding debt and for Panama's feeder road program. **Underwriter**—Lehman Brothers, New York.

**Pauley Petroleums, Inc.**
Sept. 2 it was reported that the company plans early registration of 500,000 shares of common stock. **Underwriter** — William R. Staats & Co., Los Angeles, Calif. **Registration**—Scheduled for around Sept. 17. **Offering**—Expected in mid-October.

**Pittsburgh & Lake Erie RR. (9/24)**
Bids are expected to be received by this company on Sept. 24 for the purchase from it or $3,975,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ **Puget Sound Power & Light Co.**
Sept. 12, Frank McLaughlin, President, announced that company plans to issue and sell $15,000,000 sinking fund debentures. **Proceeds**—To reduce bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. and Lehman Brothers (jointly); Merrill Lynch, Pierce, Fenner & Smith; Stone & Webster Securities Corp., The First Boston Corp. and Smith, Barney & Co. (jointly). **Bids**—Expected to be received late in October, 1958.

**St. Joseph Light & Power Co.**
April 15 it was announced that the company plans to market $6,500,000 in bonds or preferred stock "sometime this summer." The stockholders on May 21 voted on authorizing an increase in bonded indebtedness of $6,500,000, and an increase in preferred stock from 25,000 shares to 50,000 shares. **Proceeds** — For repayment of short-term bank loans and for construction program. **Underwriter**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co., Glore, Forgan & Co. and Blair & Co. Inc. (jointly); White, Weld & Co.; Equitable Securities Corp. Last preferred financing was done privately.

*Continued on page 40*

*Continued from page 39*

**Sanborn Scientific Instrument Co. (Mass.)**
Aug. 4 it was reported company plans to issue and sell 100,000 additional shares of common stock, of which it is intended to offer 17,000 shares in exchange for outstanding preferred stock. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass. **Offering**—Expected in October, 1958.

**Scudder Fund of Canada, Ltd.**
Sept. 4 it was announced that this corporation late this year plans to become an open-end Fund and issue some additional shares of its capital stock. **Underwriter**—Lehman Brothers, New York.

**Southeastern Fidelity Fire Insurance Co.**
Aug. 26 it was announced that the company in all probability will offer additional common stock to its shareholders in the near future. **Proceeds**—To expand operations. **Office** — 197 Auburn Ave., N. E., Atlanta, Ga. **Underwriter**—None.

**Southern Colorado Power Co.**
May 9 stockholders authorized an additional 100,000 shares of preferred stock (par $50). **Underwriters**—Stone & Webster Securities Corp. and Paine, Webber, Jackson & Curtis.

**Southwestern Bell Telephone Co.**
July 10 it was announced Missouri Public Service Commission authorized the company to issue $110,000,000 of 35-year debentures. **Proceeds** — To refund outstanding $100,000,000 4¾% debentures. **Underwriter**—To be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Offering**—Has been postponed. Bids had been expected about Sept. 30, 1958.

**Union Electric Co., St. Louis, Mo.**
March 28 it was announced company plans to market about $30,000,000 of common stock in the latter part of this year or in the first quarter of 1959. **Proceeds**—For construction program.

**Universal Oil Products Co.**
Aug. 13 it was reported that an issue of common stock will soon be offered to the public, the proceeds of which may run between $50,000,000 and $60,000,000. Approval of the transaction rests with the New York State Supreme Court (expected within two months). **Proceeds**—To the Petroleum Research Fund of the American Chemical Society. **Underwriters**—Expected to be Lehman Brothers, Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Smith, all of New York. **Offering**—Expected in mid-autumn, probably late in October.

**Venezuela (Government of)**
July 1 the Government announced that Kuhn, Loeb & Co. and Kidder, Peabody & Co., both of New York, have been selected as financial advisors to develop a financial program for the country. As a first step in the program a short-term credit is being negotiated between the government in cooperation with the two investment banking firms and a syndicate of commercial banks in the United States, Canada and the United Kingdom. The three institutions which are to head this syndicate are The Chase Manhattan Bank, The First National City Bank of New York, and Bank of America National Trust & Savings Association. The Chase Manhattan Bank will be the fiscal agent for the credit. The amount of the new financing involved is in the neighborhood of $250,000,000. The purpose is to restore government balances which have been reduced by the repayment of excessive short term obligations previously incurred.

**Virginian Ry.**
Aug. 26 the directors approved a proposal to exchange 2,795,500 shares of 6% cumulative preferred stock (par $10) for $32,148,250 new 6% subordinated income sinking fund debentures to mature Aug. 1, 2008 on the basis of $11.50 principal amount of debentures for each preferred share. **Dealer-Manager**—Harriman Ripley & Co. Inc., New York.

**Wisconsin Power & Light Co.**
March 17 it was announced that company plans to issue and sell $10,000,000 of first mortgage bonds. **Proceeds**—To retire bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co. and Robert W. Baird & Co., Inc. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); White, Weld & Co., Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly); The First Boston Corp. **Offering**—Not expected until late in 1958 or early in 1959.

**Worcester Gas Light Co.**
Aug. 18 it was reported that the company plans the sale of $5,000,000 first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Estabrook & Co. and Coffin & Burr, Inc. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Offering**—Expected this Fall.

**Wisconsin Public Service Corp.**
**March 4 it was announced company plans to sell about $12,500,000 of new securities in the last half of the current year. The type of securities has not yet been decided on. Underwriter—To be determined by competitive bidding. Probable bidders: (1) For any bonds—Halsey, Stuart & Co. Inc.; White Weld & Co.; The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Kuhn, Loeb & Co., and American Securities Corp. (jointly). (2) For any preferred stock—Merrill Lynch, Pierce, Fenner & Smith; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co., (jointly); Lehman Brothers; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); The First Boston Corp.; White, Weld & Co.; Kidder, Peabody & Co**

# Standard Oil Co. (Ind.) Debentures Offered By Large Nationwide Underwriting Group Headed by Morgan Stanley & Co.

A nationwide underwriting group headed by Morgan Stanley & Co. and comprising 216 investment firms is placing on the market today (Sept. 18) an issue of $200,000,000 Standard Oil Co. (Indiana) 4½% debentures, due Oct. 1, 1983. The debentures are offered at 99% and accrued interest to yield about 4.57% to maturity.

The offering represents one of the larger underwritten industrial debt financing operations of 1958.

The debentures are non-refundable prior to Oct. 1, 1963 with funds borrowed at a lower interest cost than 4.57%.

Annual sinking fund payments of $6,500,000 from 1964 to 1982 are calculated to retire at least 60% of the debentures prior to maturity. The sinking fund redemption price is 100. Regular redemption prices commence at 104% to and including Sept. 30, 1960, decreasing thereafter to the principal amount on and after Oct. 1, 1978.

The net proceeds from the sale of the debentures will be applied by the company to the retirement of $60,000,000 of short-term bank loans, with the balance going to general funds to be available for capital expenditures and other corporate purposes.

The company estimates that its capital expenditures for 1958 will be about $330,000,000 with 51% distributed to the producing, 28% to the manufacturing, 13% to the marketing and 8% to the transportation and other divisions.

Standard of Indiana and its subsidiaries constitute one of the largest integrated organizations in the petroleum industry. Its petroleum products are marketed in all the 43 states although marketing is limited to lubricating oils and specialty products in three southwestern and west coast states. The company estimates its net reserves as of Dec. 31, 1957, all of which were in the United States and Canada, at 2,174 million barrels of crude oil and natural gas liquids and 12,720 billion cubic feet of natural gas. The company's 13 domestic refineries had an aggregate crude running capacity at June 30, 1958 of 725,000 barrels-per-day.

Long a crude oil producer in Canada, the company has aggressively entered the international crude oil exploration and production scene in recent years. It currently is engaged in exploration in Venezuela, Iran and Libya, and has a contract to develop production in Argentina.

Most of the company's chemical activities are now integrated in a new subsidiary, Amoco Chemicals Corp., whose sales in 1957 amounted to about $22,000,000. The company owns a 55% interest in Calumet Nitrogen Products Co., which owns and operates a plant for making anhydrous ammonia and ammonium nitrate solutions.

Consolidated sales and other income of the company for the six months ended June 30, 1958 amounted to $919,910,000 and net earnings were $52,423,000 compared with $1,049,465,000 and $82,577,000 for the first half of 1957. For the 1957 calendar year total income was $2,029,689,000 and net earnings $151,509,000.

# Greater Promise for Germanium Reported

**Westinghouse chemist finds pure germanium works well as a catalyst and should be expected to provide a better understanding and lead to further discoveries in the important field of chemistry and physics.**

Germanium — the substance in the tiny transistors and rectifiers of modern electronics—also has the ability to speed up certain chemical processes, it was reported Sept. 11 at the American Chemical Society's 134th national meeting.

Dr. Y. L. Sandler, research chemist of the Westinghouse Research Laboratories, Pittsburgh, Pa., disclosed that specially prepared, pure germanium works well in the laboratory as a catalyst, or accelerator, for some chemical reactions. The catalytic activity of the grayish-white metal, after it is subjected to an electric discharge, was said to be "as high as found with the best catalytic materials."

### Overlaps Chemistry and Physics

The fundamental research described by Dr. Sandler is expected to provide a better understanding of how catalysts work, and to lead to further discoveries in this important field of chemistry. He commented that the research also demonstrates the overlapping of the scientific areas covered by chemistry and physics.

New applications for the transistor metal were not discussed, but the speaker observed that speed-up effects of the kind displayed by germanium "should play an important role in reactions proceeding at low temperatures." He reported that certain chemical changes involving hydrogen were greatly accelerated at 310 degrees below zero Fahrenheit.

In speeding up chemical processes, catalysts themselves are not consumed. They merely function to bring together the reacting substances or to create conditions favorable to the reaction, somewhat as a real estate agent may facilitate the purchase of a house.

### All Chemical Products Depend On Catalysts

Catalysts take many forms and have a wide variety of applications. In some cases, specialized catalysts are used to slow down or otherwise control a process. Almost every product of chemistry depends on one or more catalysts at some stage of its development. Modern high-powered motor fuels, for example, could not be produced without catalysts.

The prepared germanium acts as a catalyst through an electronic interaction that creates weak chemical bonds at the surface of the metal, the chemist explained. This effect is thought to be caused by a number of active electrons concentrated on the surface. In this catalytic action, which was called "weak chemisorption," germanium collects surrounding atoms or molecules and later reverses the process, according to the report.

Dr. Sandler presented his scientific paper, which dealt with the effects of germanium on hydrogen and on oxygen, at a session sponsored by the ACS Division of Physical Chemistry in the Hamilton Hotel.

# *Our Reporter's Report*

Brisk investor demand which has greeted the current outpouring of negotiated debt securities offerings naturally has had the effect of bolstering sentiment in the market place. And well it should have, for these issues were no ordinary flotations but rather of a scope to test the underlying demand.

**With the banker and his client working closely together to feel out the market before fixing a price-tag on a given issue, it has been possible to get closer to ideas of what the investor would be willing to consider by way of coupon and yield.**

Where competitive bidding comes into play, among utilities and railroads, this is not the case. Rather bankers are forced to turn their emphasis in the opposite direction and figure just how high they can go in the hope of being awarded the issue in question.

**Thereafter comes the task of trying to fit the reoffering price pattern to the ideas of investors and, in this part of the operation things are seldom easy. Ordinarily it takes an almost perfect blending of all factors to bring an out-the-window deal such as has marked several of the negotiated operations of this week and last.**

Right now, however, the underwriting fraternity, pleased with what it has accomplished recently, is casting its eyes in the direction of the U. S. Treasury seeking a cue to what the latter may have in mind in the way of new issues to replace maturing obligations.

### Taking a Breather.

Institutional buyers, who have been feasting on a run of comparatively "fat calves" this past fortnight, now appear satiated for the moment and ready to settle back and watch things for a spell.

**Observers credit much of the renewed raggedness in the seasoned market to this condition, but they are not overlooking the competition which has been arising from the bull market in equities.**

People will be watching the stock market, now in new historic high ground, for the next week or so and, if there is further gathering of the inflation clouds, bonds could suffer by neglect.

### Treasury's Problem

Under present circumstances a long-term bond as a part of the Treasury's refinancing offer is considered more or less out of the question. The nation's exchequer has its work cut out in the weeks ahead what with the change in Federal Reserve policy.

**It is expected that Secretary Robert B. Anderson may announce plans for handling the impending maturities of $3 to $4 billion, over the coming week end.**

But the Treasury will barely have time to draw a deep breath on completing its coming financing before turning to provide for another $11 to $12 billion of debt falling due in November.

### Light Week Ahead

The coming week will be a comparatively sluggish one in the new issue market. Only two issues are scheduled for offering, with Consumers Power Co. raising its entry from $35 to $40 million of bonds, slated to open bids on Tuesday.

This utility also was slated to sell $15 million of new preferred on Wednesday but has decided to delay that particular phase of its plans. The same day bankers will market $15 million bonds of the Kingdom of Norway.

And Wisconsin Electric Power Co. will offer to its shareholders on "rights" and without benefit of underwriting, 510,005 additional shares of common.

## D. Hoffman Opens

Daniel Hoffman is conducting a securities business from offices at 342 Madison Avenue, New York City.

## Bonbright Branch

HORNELL, N. Y.—George D. B. Bonbright & Co., have opened an office at 14 Mays Avenue, with John S. Clancy as representative.

## Goodbody Branch Opened

ATHENS, Ga.—Goodbody & Co. has opened a branch office at 289 Lumpkin Street under the management of Homer G. Cooper. Mr. Cooper was former local manager for Courts & Co.

## Pennroad to Offer Additional Shares To Stockholders

**Kuhn, Loeb & Co. syndicate to underwrite offering of 1,286,619 new common**

The Pennroad Corporation, a closed-end investment company, filed with the Securities and Exchange Commission on Sept. 12 a registration statement covering a proposed offering to its common stockholders of rights to purchase 1,286,619 additional shares of common stock at the rate of one share for each four shares held.

The offering is scheduled to be made to stockholders of record on or about Oct. 1, 1958, at which time the offering price will be set. The subscription rights will expire about Oct. 15, 1958. The offering will be underwritten by a group of investment firms managed by Kuhn, Loeb & Co.

In addition to the primary subscription right, the subscription offer will give each stockholder an oversubscription privilege.

Pennroad will add the net proceeds from the sale of the shares to its general funds available for additional investment and for corporate purposes.

Upon completion of the offering the company's capitalization will consist solely of 6,433,095 shares of common stock.

A change in the name of Pennroad to Madison Fund, Inc., will be voted upon by stockholders at a special meeting to be held on Oct. 15. Pennroad directors have recommended the change because many investors continue to regard the company as affiliated with or controlled by the Pennsylvania Railroad Company, the management of which originally formed Pennroad in 1929. The connection between the two companies was discontinued in 1939 and Pennroad believes the new name will be of substantial advantage to it in its relations with investors and the public.

## National Investors Assets at $80 Million

Net assets of National Investors Corp., the 22-year old growth stock fund of the Broad Street Group of Mutual Funds, have topped $80,000,000 it was reported by Francis F. Randolph, Chairman and President.

Net assets reached a record high of $81,196,000 on Sept. 15, for a gain of almost $20 million from the $61,933,000 at Dec. 31, 1957.

According to Mr. Randolph, market appreciation of the fund's portfolio securities accounted for most of the rise in assets. Per share asset value was $10.97 on Sept. 15, up about 27% from the $8.62 reported at the start of the year.



# Mutual Funds

By ROBERT R. RICH

## Assets of Mutual Funds Reach New High in August

Assets of the 146 open-end investment company (mutual fund) members of the National Association of Investment Companies reached a new high of $11,351,342,000 at the close of August, the Association announced.

As of July 31, the figure was $11,121,627,000. At the end of August in 1957, it was $9,420,228,000.

Investors purchases of mutual fund shares for August totaled $133,131,000, below the record monthly figure of $160,675,000 for July. In August 1957 investor purchases of mutal funds shares totaled $122,290,000.

Investors redeemed shares value at $41,761,000 during August compared with shares valued at $41,493,000 for July 1958, and $32,728,000 for August a year ago.

The number of accumulation plans opened for the periodic purchase of mutual fund shares totaled 20,278 in August. In the previous month, the total was 19,618. In August 1957, 20,460 new accumulation plans were started by investors.

(All Dollar Figures in Thousands)

| | Aug. 31, 1958 | July 31, 1958 | Aug. 31, 1957 |
|---|---|---|---|
| Total number of open-end investment company members | 146 | 146 | 136 |
| Total net assets | $11,351,342 | $11,121,627 | $9,420,228 |
| Holding of cash, U. S. Govt's and short-term bonds | 729,508 | 715,165 | 579,710 |
| | Month of— August 1958 | July 1958 | August 1957 |
| Sales of shares | $133,131 | $160,675 | $122,290 |
| Redemptions | 41,761 | 41,493 | 32,728 |
| Number of new accumulation plans opened | 20,278 | 19,618 | 20,460 |

## IPC to Sell Shares Of Axe Science on Contractual Basis

Investors Planning Corporation of America on Sept. 16 launched exclusive distribution of a new mutual fund contractual plan for the accumulation of shares of Axe Science & Electronics Corp.

The plan was developed for Investors Planning's 2,600 registered representatives and its franchised affiliates throughout the eastern United States, Europe and Asia.

I. P. C. President Walter Benedick said the broadness of the new plan's distribution makes its introduction "a major development" in the application of contractual plan investing to specialty mutual funds.

Except for the investment medium used, he added, its prospectus is modeled after the I. P. C. plan for the accumulation of shares of Axe-Houghton, Fund B. This balanced fund plan was introduced by I. P. C. on Oct. 20th, 1953. Over 50,000 Fund B plans have been established since that date.

Mr. Benedick stressed that the Axe Science contractual is designed "to supplement, not replace," the Fund B plan.

"We have instructed our sales people and advised our affiliates to offer the balanced fund for stability and the science fund for opportunity," he explained.

"Balanced Funds such as Fund B should always be the foundation of any systematic investment program using mutual funds as the investment vehicle," Mr. Benedick said. "The new plan must be regarded as an opportunity to build on such a foundation."

Investors Planning sells the shares of most mutual funds. In addition to its more than 50,000 active Fund B plan accounts, the firm services over 10,000 contractual, voluntary and single-payment plans of other open-end investment companies.

### Reynolds Adds to Staff

(Special to The Financial Chronicle)

SAN FRANCISCO, Cal.—Belden S. Gardner, Jr. has joined the staff of Reynolds & Co., 425 Montgomery Street. He was formerly with Kidder, Peabody & Co. and Baxter & Company.

## State St. to Acquire J. D. Adams Mfg.

At a special meeting on Oct. 3, stockholders of State Street Investment Corporation will vote on the proposed acquisition of J. D. Adams Manufacturing Co. of Indianapolis. Adams has been a private investment company since Jan. 1, 1955, and its net assets on June 30, 1958 of $8,800,000 consisted principally of cash, Government securities and marketable bonds and stocks.

Under the terms of the merger, stockholders of Adams will receive shares of State Street with a net asset value of about $8,580,000. The premium of 3½%, or approximately $300,000, accruing to State Street results from the fact that its shares have commanded a premium above net asset value in the Over-the-Counter Market.

The Treasury Department has ruled that neither Adams nor State Street will realize any gain or loss in connection with the merger. Adams is a personal holding company in that 95% of its stock is family-owned. The merger would become effective Oct. 15, 1958. As of Sept. 2, 1958, outstanding common stock of State Street comprised 4,999,433 shares of $10 par value.

## International, St. Regis Tops With Managed

The securities of International Paper Co. and St. Regis Paper Co. represent the largest holdings in Managed Funds, Inc.'s Paper Shares, it was reported yesterday by the $60 million mutual fund group.

One of the 11 classes of shares sponsored by Managed Funds, Paper Shares is the first and only mutual fund class in the nation invested solely in the securities of the pulp and paper industry.

Of its $13.1 million in total net assets, 9.2% is invested in International and 9.1% in St. Regis.

Other Paper Shares portfolio leaders are Scott Paper (8.4%), Crown Zellerbach (7.7), American Can (7.0) and Union Bag-Camp Paper (6.2).

The class currently maintains a cash position of 4.9% of its total net assets.

## Dillon, Read Group Offers 1,200,000 Shs. Of American-South African Invest. Co.

**Offering Price is $28 a Share. Closed-End Company to Invest in Securities of Companies in South Africa**

Dillon, Read & Co. Inc. heads an underwriting group which, on Sept. 17, offered publicly 1,200,000 common shares £1 (South African) nominal value, of American-South African Investment Company, Limited, at $28 per share. The company, incorporated under the laws of the Union of South Africa, is a management investment company of the closed-end type. It expects to commence business as a non-diversified company, but will become a diversified company not later than March 31, 1959. The company plans to apply for listing of the common shares on the New York Stock Exchange.

American-South African Investment Company, Limited has been organized primarily to provide a medium for investment in the common shares of companies engaged in business in South Africa, particularly gold mining companies. The policy of the company will be to invest over 50% of the value of its total assets in the common shares or securities convertible into common shares, of companies conducting, as the major portion of their business, gold mining and related activities in South Africa. The balance, other than minor amounts which may be held in cash, will be invested in the common shares or securities convertible into common shares, of companies engaged in other businesses of varied types in South Africa. The securities in which the company invests will be kept in the United States. It is contemplated that the major portion of the company's assets will consist of securities listed on the Johannesburg Stock Exchange.

The company has entered into contracts providing, at any time not later than Sept. 27, 1958, for purchases directly from present holders of substantial blocks of common shares of certain companies engaged in mining gold, and in other businesses, in South Africa. The total purchase price of the securities to be acquired pursuant to the contracts is $22,449,592.

Subject to business conditions and other developments, the company expects to invest the greater portion of its net income and the entire amount of its capital gains and to use a comparatively minor portion of its net income for the payment of semi-annual dividends. It is the company's intention that shareholders will receive dividends in United States dollars.

As a foreign corporation, the company will not be subject to United States income tax if it does not do business in the United States and does not receive income from sources within the United States. The company does not intend to do business in the United States nor receive income from sources within the United States. There is no South African tax on dividends received by the company.

Dividends declared on the company's shares and received by a shareholder resident in the United States will be taxable to him at ordinary income tax rates.

The South African Reserve Bank, which is the Central Bank for South Africa, has entered into an Exchange Guaranty Agreement with the company under which the company may, after five years, but not later than 10 years, from the date of the initial conversion of U. S. dollars into South African pounds, convert into dollars, for the purpose of a return of capital, an amount equal to its initial capital at the same exchange rate at which that capital was first converted from dollars into pounds.

Mr. Charles W. Engelhard is chairman of the board of American-South African Investment Company, Limited. Mr. Engelhard is also chairman of Engelhard Industries, Inc. and affiliated companies, chairman of Rand Mines, Ltd., and chairman of Rand American Investments, (PTY) Ltd. Gordon V. Richdale, deputy chairman of American-South African, is also president and a director of Engelhard Industries, Inc. and affiliated companies, deputy chairman of Rand Mines, Ltd., director of the Central Mining & Investment Corporation Ltd. and director of Rand American Investments (PTY) Ltd. Charles S. Barlow, managing director of American-South African, is chairman of Thos. Barlow & Sons, Ltd., a director of Standard Bank of South Africa Ltd. and Syfret's Executor & Trust Company (Proprietary) Ltd.

The following are directors of American-South African Investment Company, Limited: James B. Baldwin, a vice-president of Keswick Corporation; Frederic H. Brandi, president and director of Dillon, Read & Co. Inc.; Francois de Flers, vice-chairman and general manager of Banque de L'Indochine; Kingman Douglass, a vice-president of Dillon, Read & Co. Inc.; John F. Fowler, Jr.,

*Continued on page 43*

# Indications of Current Business Activity

**The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:**

| | | Latest Week | Previous Week | Month Ago | Year Ago |
|---|---|---|---|---|---|
| **AMERICAN IRON AND STEEL INSTITUTE:** | | | | | |
| Indicated Steel operations (per cent capacity) | Sept. 21 | §66.6 | *65.9 | 62.6 | 82.1 |
| Equivalent to— | | | | | |
| Steel ingots and castings (net tons) | Sept. 21 | §1,797,000 | *1,780,000 | 1,690,000 | 2,101,000 |
| **AMERICAN PETROLEUM INSTITUTE:** | | | | | |
| Crude oil and condensate output—daily average (bbls. of 42 gallons each) | Sept. 5 | 7,060,285 | 6,863,335 | 6,836,185 | 6,807,415 |
| Crude runs to stills—daily average (bbls.) | Sept. 5 | ¶7,982,000 | 7,937,000 | 7,597,000 | 8,270,000 |
| Gasoline output (bbls.) | Sept. 5 | 28,028,000 | 28,206,000 | 27,589,000 | 29,457,000 |
| Kerosene output (bbls.) | Sept. 5 | 1,720,000 | 1,978,000 | 1,545,000 | 1,952,000 |
| Distillate fuel oil output (bbls.) | Sept. 5 | 12,499,000 | 11,895,000 | 11,730,000 | 13,107,000 |
| Residual fuel oil output (bbls.) | Sept. 5 | 7,051,000 | 7,286,000 | 6,641,000 | 8,294,000 |
| Stocks at refineries, bulk terminals, in transit, in pipe lines— | | | | | |
| Finished and unfinished gasoline (bbls.) at | Sept. 5 | 174,193,000 | 173,470,000 | 177,297,000 | 173,552,000 |
| Kerosene (bbls.) at | Sept. 5 | 28,865,000 | 28,624,000 | 26,306,000 | 34,827,000 |
| Distillate fuel oil (bbls.) at | Sept. 5 | 141,209,000 | 138,322,000 | 124,838,000 | 159,886,000 |
| Residual fuel oil (bbls.) at | Sept. 5 | 68,082,000 | 67,018,000 | 67,251,000 | 54,019,000 |
| **ASSOCIATION OF AMERICAN RAILROADS:** | | | | | |
| Revenue freight loaded (number of cars) | Sept. 6 | 563,351 | 645,432 | 618,580 | 646,117 |
| Revenue freight received from connections (no. of cars) | Sept. 6 | 493,120 | 544,872 | 521,832 | 560,109 |
| **CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:** | | | | | |
| Total U. S. construction | Sept. 11 | $360,707,000 | $284,377,000 | $336,876,000 | $262,045,000 |
| Private construction | Sept. 11 | 104,601,000 | 71,569,000 | 152,018,000 | 130,365,000 |
| Public construction | Sept. 11 | 256,106,000 | 212,808,000 | 184,858,000 | 131,680,000 |
| State and municipal | Sept. 11 | 219,535,000 | 172,312,000 | 148,749,000 | 121,248,000 |
| Federal | Sept. 11 | 36,571,000 | 40,496,000 | 36,109,000 | 10,432,000 |
| **COAL OUTPUT (U. S. BUREAU OF MINES):** | | | | | |
| Bituminous coal and lignite (tons) | Sept. 6 | **7,025,000 | 8,340,000 | 7,965,000 | 8,580,000 |
| Pennsylvania anthracite (tons) | Sept. 6 | 401,000 | 455,000 | 411,000 | 462,000 |
| **DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100** | Sept. 6 | 123 | 149 | 120 | 121 |
| **EDISON ELECTRIC INSTITUTE:** | | | | | |
| Electric output (in 000 kwh.) | Sept. 13 | 12,248,000 | 12,025,000 | 12,851,000 | 11,947,000 |
| **FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.** | Sept. 11 | 256 | 191 | *262 | 237 |
| **IRON AGE COMPOSITE PRICES:** | | | | | |
| Finished steel (per lb.) | Sept. 9 | 6.196c | 6.188c | 6.188c | 5.967c |
| Pig iron (per gross ton) | Sept. 9 | $66.49 | $66.49 | $66.49 | $66.42 |
| Scrap steel (per gross ton) | Sept. 9 | $42.83 | $42.83 | $41.83 | $48.50 |
| **METAL PRICES (E. & M. J. QUOTATIONS):** | | | | | |
| Electrolytic copper— | | | | | |
| Domestic refinery at | Sept. 10 | 26.100c | 26.000c | 26.100c | 26.350c |
| Export refinery at | Sept. 10 | 25.250c | 25.050c | 25.050c | 22.875c |
| Lead (New York) at | Sept. 10 | 10.750c | 10.750c | 11.000c | 14.000c |
| Lead (St. Louis) at | Sept. 10 | 10.550c | 10.550c | 10.800c | 13.800c |
| ‡Zinc (delivered) at | Sept. 10 | 10.500c | 10.500c | 10.500c | 10.500c |
| Zinc (East St. Louis) at | Sept. 10 | 10.000c | 10.000c | 10.000c | 10.000c |
| Aluminum (primary pig. 99%) at | Sept. 10 | 24.700c | 24.700c | 24.700c | 26.000c |
| Straits tin (New York) at | Sept. 10 | 94.500c | 95.125c | 95.375c | 93.000c |
| **MOODY'S BOND PRICES DAILY AVERAGES:** | | | | | |
| U. S. Government Bonds | Sept. 16 | 89.17 | 89.02 | 90.92 | 86.65 |
| Average corporate | Sept. 16 | 90.20 | 90.63 | 93.38 | 89.64 |
| Aaa | Sept. 16 | 94.71 | 95.16 | 98.41 | 94.26 |
| Aa | Sept. 16 | 92.93 | 93.38 | 96.23 | 92.35 |
| A | Sept. 16 | 89.92 | 90.06 | 93.38 | 89.78 |
| Baa | Sept. 16 | 83.66 | 84.30 | 86.38 | 83.03 |
| Railroad Group | Sept. 16 | 88.54 | 88.81 | 89.64 | 88.13 |
| Public Utilities Group | Sept. 16 | 89.78 | 90.34 | 93.67 | 89.51 |
| Industrials Group | Sept. 16 | 92.06 | 92.64 | 97.16 | 91.62 |
| **MOODY'S BOND YIELD DAILY AVERAGES:** | | | | | |
| U. S. Government Bonds | Sept. 16 | 3.50 | 3.49 | 3.31 | 3.68 |
| Average corporate | Sept. 16 | 4.40 | 4.37 | 4.18 | 4.44 |
| Aaa | Sept. 16 | 4.09 | 4.06 | 3.85 | 4.12 |
| Aa | Sept. 16 | 4.21 | 4.18 | 3.99 | 4.25 |
| A | Sept. 16 | 4.42 | 4.41 | 4.18 | 4.43 |
| Baa | Sept. 16 | 4.89 | 4.84 | 4.68 | 4.94 |
| Railroad Group | Sept. 16 | 4.52 | 4.50 | 4.44 | 4.55 |
| Public Utilities Group | Sept. 16 | 4.43 | 4.39 | 4.16 | 4.45 |
| Industrials Group | Sept. 16 | 4.27 | 4.23 | 3.93 | 4.30 |
| **MOODY'S COMMODITY INDEX** | Sept. 16 | 391.8 | 392.3 | 398.9 | 408.7 |
| **NATIONAL PAPERBOARD ASSOCIATION:** | | | | | |
| Orders received (tons) | Sept. 6 | 315,720 | 299,431 | 298,376 | 339,419 |
| Production (tons) | Sept. 6 | 218,998 | 307,590 | 288,874 | 214,792 |
| Percentage of activity | Sept. 6 | 73 | 95 | 92 | 72 |
| Unfilled orders (tons) at end of period | Sept. 6 | 508,828 | 407,334 | 471,682 | 540,109 |
| **OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100** | Sept. 12 | 108.58 | 108.75 | 109.30 | 110.17 |
| **ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:** | | | | | |
| Transactions of specialists in stocks in which registered— | | | | | |
| Total purchases | Aug. 23 | 1,624,840 | 1,926,830 | 2,425,130 | 1,342,280 |
| Short sales | Aug. 23 | 323,330 | 342,410 | 628,350 | 251,320 |
| Other sales | Aug. 23 | 1,294,700 | 1,523,970 | 1,838,600 | 1,224,830 |
| Total sales | Aug. 23 | 1,618,030 | 1,866,380 | 2,466,950 | 1,476,150 |
| Other transactions initiated on the floor— | | | | | |
| Total purchases | Aug. 23 | 341,060 | 507,980 | 653,740 | 214,170 |
| Short sales | Aug. 23 | 46,600 | 41,400 | 68,700 | 21,170 |
| Other sales | Aug. 23 | 325,640 | 500,450 | 526,810 | 248,400 |
| Total sales | Aug. 23 | 372,240 | 541,850 | 595,510 | 269,570 |
| Other transactions initiated off the floor— | | | | | |
| Total purchases | Aug. 23 | 523,790 | 618,410 | 818,340 | 419,400 |
| Short sales | Aug. 23 | 104,520 | 119,710 | 146,760 | 93,230 |
| Other sales | Aug. 23 | 574,424 | 673,046 | 757,269 | 415,215 |
| Total sales | Aug. 23 | 678,944 | 792,756 | 904,029 | 508,445 |
| Total round-lot transactions for account of members— | | | | | |
| Total purchases | Aug. 23 | 2,489,690 | 3,053,220 | 3,897,210 | 1,975,850 |
| Short sales | Aug. 23 | 474,450 | 503,520 | 843,810 | 365,720 |
| Other sales | Aug. 23 | 2,194,764 | 2,697,466 | 3,122,679 | 1,888,445 |
| Total sales | Aug. 23 | 2,669,214 | 3,200,986 | 3,966,489 | 2,254,165 |
| **STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:** | | | | | |
| Odd-lot sales by dealers (customers' purchases)—† | | | | | |
| Number of shares | Aug. 23 | 1,063,072 | 1,223,120 | 1,478,058 | 1,390,126 |
| Dollar value | Aug. 23 | $47,816,076 | $54,312,556 | $68,517,401 | $68,839,507 |
| Odd-lot purchases by dealers (customers' sales)— | | | | | |
| Number of orders—Customers' total sales | Aug. 23 | 1,118,842 | 1,275,383 | 1,521,088 | 912,652 |
| Customers' short sales | Aug. 23 | 7,633 | 5,446 | 19,974 | 16,631 |
| Customers' other sales | Aug. 23 | 111,209 | 1,269,937 | 1,501,114 | 896,021 |
| Dollar value | Aug. 23 | $48,016,872 | $55,131,067 | $66,151,566 | $45,343,110 |
| Round-lot sales by dealers— | | | | | |
| Number of shares—Total sales | Aug. 23 | 393,882 | 434,350 | 506,670 | 184,990 |
| Short sales | Aug. 23 | ------ | ------ | ------ | ------ |
| Other sales | Aug. 23 | 393,882 | 434,350 | 506,670 | 184,990 |
| Round-lot purchases by dealers— | | | | | |
| Number of shares | Aug. 23 | 342,180 | 381,420 | 489,470 | 647,980 |
| **TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):** | | | | | |
| Total round-lot sales— | | | | | |
| Short sales | Aug. 23 | 662,790 | 673,040 | 1,203,580 | 518,890 |
| Other sales | Aug. 23 | 11,830,550 | 14,673,530 | 18,527,810 | 9,940,350 |
| Total sales | Aug. 23 | 12,493,340 | 15,346,570 | 19,731,390 | 10,459,240 |
| **WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):** | | | | | |
| Commodity Group— | | | | | |
| All commodities | Sept. 9 | 119.0 | *118.8 | 119.0 | 118.1 |
| Farm products | Sept. 9 | 93.4 | 92.6 | 93.2 | 92.5 |
| Processed foods | Sept. 9 | 110.8 | *110.2 | 111.2 | 106.7 |
| Meats | Sept. 9 | 108.4 | 106.2 | 109.9 | 97.6 |
| All commodities other than farm and foods | Sept. 9 | 126.0 | 126.1 | 126.0 | 125.8 |

*Revised figure. ¶Includes 921,000 barrels of foreign crude runs. §Based on new annual capacity of 140,742,570 tons as of Jan. 1, 1958, as against Jan. 1, 1957 basis of 133,459,150 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound. **As reported by National Coal Association.

| | Latest Month | Previous Month | Year Ago |
|---|---|---|---|
| **BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR**—Month of August (in millions): | | | |
| Total new construction | $4,803 | $4,642 | $4,667 |
| Private construction | 3,215 | 3,128 | 3,196 |
| Residential buildings (nonfarm) | 1,718 | 1,641 | 1,611 |
| New dwelling units | 1,280 | 1,200 | 1,180 |
| Additions and alterations | 387 | 389 | 387 |
| Nonhousekeeping | 51 | 52 | 44 |
| Nonresidential buildings | 743 | 754 | 842 |
| Industrial | 179 | 185 | 301 |
| Commercial | 316 | 326 | 319 |
| Office buildings and warehouses | 169 | 169 | 172 |
| Stores, restaurants, and garages | 147 | 157 | 147 |
| Other nonresidential buildings | 248 | 242 | 222 |
| Religious | 79 | 75 | 80 |
| Educational | 52 | 50 | 47 |
| Hospital and institutional | 53 | 52 | 49 |
| Social and recreational | 42 | 41 | 29 |
| Miscellaneous | 22 | 25 | 17 |
| Farm construction | 175 | 171 | 173 |
| Public utilities | 562 | 542 | 549 |
| Railroad | 34 | 33 | 34 |
| Telephone and telegraph | 77 | 77 | 89 |
| Other public utilities | 451 | 432 | 426 |
| All other private | 17 | 20 | 21 |
| Public construction | 1,588 | 1,514 | 1,471 |
| Residential buildings | 71 | 69 | 49 |
| Nonresidential buildings | 422 | 417 | 416 |
| Industrial | 3[illegible] | 34 | 41 |
| Educational | 257 | 263 | 258 |
| Hospital and institutional | 34 | 31 | 30 |
| Administrative and service | 54 | 48 | 44 |
| Other nonresidential buildings | 43 | 41 | 43 |
| Military facilities | 120 | 105 | 142 |
| Highways | 675 | 535 | 577 |
| Sewer and water systems | 131 | 128 | 128 |
| Sewer | 79 | 77 | 76 |
| Water | 52 | 51 | 52 |
| Public service enterprises | 51 | 46 | 43 |
| Conservation and development | 103 | 101 | 104 |
| All other public | 15 | 13 | 12 |
| **BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES**—Month of July: | | | |
| New England | $25,783,464 | $32,806,606 | $32,109,128 |
| Middle Atlantic | 160,066,771 | 110,465,056 | 77,256,661 |
| South Atlantic | 64,178,220 | 59,946,039 | 55,409,785 |
| East Central | 123,215,009 | 221,510,954 | 117,544,105 |
| South Central | 113,323,349 | 90,583,703 | 97,334,427 |
| West Central | 37,250,830 | 41,546,997 | 48,612,792 |
| Mountain | 35,202,075 | 25,115,141 | 23,657,012 |
| Pacific | 160,215,945 | 118,658,927 | 103,226,899 |
| Total United States | $724,235,669 | $700,633,403 | $555,150,809 |
| New York City | 104,770,856 | 56,213,291 | 33,359,346 |
| Outside New York City | 619,464,813 | 644,420,112 | 521,791,463 |
| **BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES** — Month of June (Millions of dollars): | | | |
| Manufacturing | $50,300 | *$50,900 | $53,900 |
| Wholesale | 12,100 | 12,100 | 12,700 |
| Retail | 24,000 | 23,900 | 24,100 |
| Total | $86,500 | *$86,900 | $90,700 |
| **CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS—U. S. DEPT. OF COMMERCE** — Month of July (000's omitted) | $751,300 | $1,667,000 | $763,600 |
| **CIVIL ENGINEERING CONSTRUCTION—ENGINEERING NEWS-RECORD** — Month of August (000's omitted): | | | |
| Total U. S. construction | $1,621,675 | $2,601,754 | $1,805,460 |
| Private construction | 721,439 | 941,666 | 850,443 |
| Public construction | 900,236 | 1,660,088 | 955,017 |
| State and municipal | 733,023 | 1,031,506 | 791,840 |
| Federal | 167,213 | 628,582 | 163,177 |
| **COTTON GINNING (DEPT. OF COMMERCE):** | | | |
| To Sept. 1 (running bales) | 1,009,257 | ------ | 969,677 |
| **COTTON PRODUCTION — U. S. DEPT. OF AGRICULTURE**—1958 crop as of Sept. 1: | | | |
| Production 500-lb. gross bales | 12,105,000 | ------ | 10,963,680 |
| **COTTON SPINNING (DEPT. OF COMMERCE):** | | | |
| Spinning spindles in place on Aug. 2 | 20,878,000 | 20,923,000 | 21,196,000 |
| Spinning spindles active on Aug. 2 | 17,501,000 | 17,443,000 | 18,067,000 |
| Active spindle hours (000's omitted) Aug. 2 | 8,048,000 | 7,637,000 | 8,481,000 |
| Active spindle hours for spindles in place July | 321.9 | 361.8 | 339.2 |
| **DEPARTMENT STORE SALES SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF NEW YORK—1947-49** Average = 100—Month of July: | | | |
| Sales (average monthly), unadjusted | 99 | 117 | 94 |
| Sales (average daily), unadjusted | 97 | 120 | 92 |
| Sales (average daily), seasonally adjusted | 133 | 124 | 126 |
| **LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE** — Month of June (000,000's omitted): | | | |
| Ordinary | $3,823 | $3,868 | $3,698 |
| Industrial | 559 | 595 | 571 |
| Group | 780 | 999 | 1,315 |
| Total | $5,162 | $5,462 | $5,580 |
| **MANUFACTURERS' INVENTORIES AND SALES (DEPT. OF COMMERCE) NEW SERIES** Month of June (millions of dollars): | | | |
| Inventories— | | | |
| Durables | $28,598 | *$28,981 | $31,438 |
| Nondurables | 21,724 | *21,915 | 22,415 |
| Total | $50,322 | *$50,896 | $53,853 |
| Sales | 25,705 | *25,206 | 28,142 |
| **MONEY IN CIRCULATION—TREASURY DEPT.** As of June 30 (000's omitted) | $31,172,000 | $30,994,000 | $31,082,000 |
| **MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS**—Month of August: | | | |
| Industrials (125) | 3.72 | 3.79 | 3.98 |
| Railroads (25) | 5.35 | 5.44 | 6.66 |
| Utilities (not incl. Amer. Tel. & Tel.) (24) | 4.39 | 4.31 | 4.99 |
| Banks (15) | 4.43 | 4.54 | 4.62 |
| Insurance (10) | 2.97 | 2.94 | 3.34 |
| Average (200) | 3.91 | 3.97 | 4.21 |
| **UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS** — Month of June (000's omitted): | | | |
| Exports | $1,407,900 | $1,637,900 | $1,786,100 |
| Imports | 1,011,800 | 1,063,000 | 983,600 |

*Revised figure.

# Securities Salesman's Corner

By JOHN DUTTON

## Attractive Yields on Tax Exempt Bonds—Opportunity For Increasing Your Clientele

Once again yields on quality municipals are available ABOVE that which investors can obtain in taxable savings accounts and in most Savings and Loan institutions. During the coming twelve months, bond issues for the purpose of building schools, roads, sewer and water systems, and municipal utility facilities will be offered in what appears to be a larger volume than for many years. Even though the bond market should move upward from today's historical 20-year lows, and yields concurrently may decline, the advantages of tax exempt income from the standpoint of the investor is something that the public is beinning to appreciate more and more with every passing day.

In regard to public understanding of the attractiveness of tax exemption certain dealers have been using small advertisements in their local papers regularly two to three times a week with increasing success. These ads only offer the interest rate available (from 3½ to 4%) and sometimes when the markets allow it, as of today, (4 to 4½%), and they state that this income is exempt from all Federal income tax. They offer to supply a list of attractive tax exempt issues usually in the state, or the area, where the dealer is located. The response from individuals to these ads is very good and the quality of the inquiries is above average. The ads should be consistently used week after week, and with repetition they seem to increase in their effectiveness.

### Plan a Campaign

The next time you expect to bid on an attractive local municipal offering, or if your firm is not an underwriter, plan to participate if possible (even on a take-down basis) make an offer of these bonds to people who are not now your customers. Of course, if the deal is a sell-out it will be impossible to procure bonds unless you are an underwriter, if your firm is fortunate enough to buy the bonds, set some of them aside for resale to new accounts. Use them as an inducement for local people to get their feet wet and become acquainted with the advantages of owning some investments that for once in their lives they don't have to share with the tax collectors.

There are street directories issued by the telephone company that will give you the addresses of the people who live in neighborhoods that you can assume may be savers and investors. Prepare a double return card and have it ready for mailing the day of the bond sale. Offer a descriptive circular and use the double return, postage paid, card, to do it. Have your salesman follow these leads.

Place a large advertisement in your local paper. Write it in a way that will appeal to the people of the issuing community. Tell people why these bonds are the safest investments they can buy—that they are secured by taxes that come ahead of mortgage interest and explain the pledges of taxes that are behind them. Use a coupon and offer further information. Turn these leads over to your salesmen and let them bring you some new accounts and make some friends for you and for themselves. One good local tax exempt bond issue sold to several dozen new individual investors can open up the door to your sales organization for substantially increased business. Those who will do this are fundamentally investors. They are not speculators who are looking for a "quick profit." They will make good clients once you can show them the advantages of this "tax free method" of compounding the income from their savings.

Investors in the lowest 20% bracket only keep 2.4% after they pay their tax on a taxable savings account; in the 30% bracket they are allowed to keep 2.10% after the income tax is paid; in the 50% bracket the net return is but 1.50%; and for those who may be in the 90% bracket the only way they can receive any justifiable income whatsoever is to buy tax exempts. It would require a taxable return of 30% to equal a 3% tax-free return to an investor in the top income-tax brackets.

### High Taxes Can Bring You Business

As this column is being written, an Associated Press article states that Washington is already considering increased Federal gasoline taxes and higher postal rates, and don't be surprised if there may be some talk of increased income taxes (particularly on corporations and individuals in the higher brackets). There is only one place that investors now can go to find a haven and obtain income that is worth the trouble of investing — that is in tax-free bonds. Common stocks bought for the purpose of protecting the investor from hyper-active dollar depreciation is one side of the investor's coin; the other is tax-exempt bonds. The best anyone can do who considers himself an investor is to hedge and have a balanced program.

# Railroad Securities

## New York, Chicago & St. Louis

Earnings of New York, Chicago & St. Louis Railroad during the first half of this year have been disappointing. This road was affected more than average by the drop in steel and automobile production. Freight traffic was off almost 25% in the first seven months as compared with a year ago, while gross revenues fell 22.5%. Higher freight rates this year as compared with the 1957 period kept gross from falling to the same extent as carloadings.

The road maintains good control over expenses with operating costs being cut some 17% in the first seven months below those for the same period last year. This reduction reflects large reductions in maintenance expenditures and also good control over transportation expenses. The latter was made possible to a large extent by increased dieselization and flexibility of operations. Federal income taxes naturally were lower than a year ago, and equipment rental charges were likewise down. However, final net income dropped 54.3%. Net income for the first seven months of this year amounted to 89 cents a share as compared with $1.93 a share in the comparable 1957 period. The earnings in the early months of this year did not cover the 50 cents quarterly dividend rate.

However, with steel production picking up and the possibility that automobile activity will increase in coming months, it is expected that traffic and earnings will recover in the final months of this year. It now is expected that, unless there is a strike in the automotive industry, the road should earn the full $2 annual dividend rate in 1958 and this would compare with earnings of $3.58 a common share reported for the year 1957. In addition, with the tempo of heavy industry increasing, it is reasonable to expect that shipments of bituminous coal also will rise. This is profitable traffic for the Nickel Plate and could add much to revenues and earnings. A pickup in general business activity should be reflected in movement of other commodities which should further be reflected in loadings.

With costs under strict control, an increase in traffic should be immediately reflected in both net operating income and net income. Total employment on the Nickel Plate in June was some 22.6% under a year ago. If traffic continues to show improvement in coming months, it is believed that it will outpace the rate of rehiring and this should be of benefit in keeping down transportation expenses in relation to gross revenues. The road does have a fairly large bad order car ratio and this means that as traffic increases it will have to spend more on maintenance of equipment to meet the demands of shippers. If this is not done it will have to pay high per diem rentals for the use of other railroads' cars, which could be expensive in the long run.

Nickel Plate is regarded as a highly efficiently operated carrier and is fortunate in having little branch line mileage or passenger business, both of which are costly to operate. The road has been slow in dieselizing, mainly because it had some modern steam power, but it has realized that the savings of diesel power more than offset the fairly new steam engines. Recently, the railroad has leased 30 diesel units and this should be reflected in a further drop in operating expenses. It will mean lower fuel costs, the elimination of some facilities and produce some non-recurring tax savings.

Financial position of the Nickel Plate remains strong. On June 30, cash and cash equivalents amounted to $22,652,000 and current liabilities were $20,549,000. Net working capital on that date aggregated $22,416,000 as compared with $19,008,000 on the same date in 1957. This was accomplished despite a drop in net earnings. Depreciation and retirement charges this year should exceed maturing equipment trust obligations and sinking fund requirements by around $4,500,000.

In view of the Nickel Plate's good financial position, and the likelihood that traffic and earnings will pick up over the balance of the year, it seems the road will continue to maintain its $2 annual rate.

### Forms Tri State Inv. Co.

PHILADELPHIA, Pa.—Gunther M. Nothmann is engaging in a securities business from offices at 4401 Germantown Avenue under the firm name of Tri State Investment Co.

### Form Inv. Services Inc.

ST. LOUIS, Mo. — Investment Services, Inc., has been formed with offices at 320 North Fourth Street to engage in a securities business. Officers are Burton K. Werner, president, and Elmer L. Werner, Jr., secretary-treasurer.

Continued from page 41

# Mutual Funds

a vice-president of Dillon, Read & Co. Inc.; Charles C. Parlin, senior partner of Shearman & Sterling & Wright; Leo N. Shaw, until his retirement on May 31, 1958, a senior vice-president of the First National City Bank of New York and manager of its overseas division; Carl F. Todd, senior partner of Cliffe, Dekker & Tood, Johannesburg, South Africa. He is a director of African Explosives & Chemical Industries, Ltd., and The Netherlands Bank of South Africa.

American - South African will retain South African Investment Adviser, Limited, to investigate appropriate opportunities for investment by the company of its assets and will make recommendations as to the acquisition and disposition of portfolio assets. The Investment Adviser is a South African corporation in which Dillon, Read & Co. Inc. and Engelhard Development Company (Proprietary) Limited each own 50% of the outstanding common shares. The board of directors of Investment Adviser is composed of Charles W. Engelhard and Gordon V. Richdale, chairman and deputy chairman of the board of American-South African, James B. Baldwin, a director of American-South African, and Peter M. Flanigan, a vice-president of Dillon, Read & Co. Inc.

### With Sutro Bros. Co.

MIAMI BEACH, Fla.—Wallace Berrie has become affiliated with Sutro Bros. & Co., 1048 Kane Concourse, Bay Harbour Islands.

## Peoples Securities Net Asset Value Increases 19%

**Abraham S. Karasick, President of Peoples Securities Corporation, announced that net assets of the fund were $1,381,430 as of Sept. 10, 1958, an increase of 60% since the beginning of the current fiscal year on Oct. 1, 1957. Mr. Karasick also announced that the net asset value of the fund reached an all-time high of $13.38 per share on Sept. 10, 1958, an increase of 19% for the current fiscal year, after adjustment for capital gains distributions.**

# Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — The biggest economic story in the Nation is the record harvest of crops currently taking place. In the golden early autumn sunshine, the farmers are running their equipment from early in the morning to sundown and after.

It is a tremendous story. This was borne out in an automobile trip of some 3,300 miles from Dover, Del., to Minneapolis and St. Paul, Minn. There is a spirit of optimism prevailing in the smaller communities. Good crop years usually mean favorable times for the agricultural towns and there are thousands of them in this big country.

**The bankers in these communities are talking on the optimistic side, as are the store owners, the service station operators, and the farm equipment dealers.**

The golden harvest that is underway in such states as Ohio, Indiana, Michigan, Wisconsin, Minnesota, Illinois, Pennsylvania, Maryland, Delaware, and parts of Virginia and West Virginia is nothing short of sensational. Department of Agriculture officials say the harvest scene in these states could be repeated in nearly all the states.

The crops are not only beautiful, but the great dairy herds and the beef herds are a sight to behold. It takes no dairy expert to see that the most popular dairy breeds in the dairy belt is the Holstein, the great milk givers, by far.

The housewives of the United States may be assured that their families will be able to eat well, providing they have the money, for another year. The apple orchards of Michigan, the foremost vinegar producing state, are laden with fruit, and the peach crop has been a record one in most states.

### Upper Midwest Area

A record crop production was the brightest spot in the Upper Midwest. The Federal Reserve Bank of Minneapolis, which serves the area as far west as Montana, says a near-record wheat crop of 292 million bushels is indicated. Soybeans and barley were near all-time high and corn prospects are splendid.

**Livestock production approached the 1957 record high and with prices favorable, the farm income in the Upper Midwest was expected to approach or equal the peak achieved in 1948. All or these things are having a stimulating effect in the vast region in bank deposits, retail sales and in general business activity not only the remainder of 1958, but in the early months of 1959.**

The Department of Agriculture's official forecast a few days ago that this year's volume of crops would be the biggest in history, also means headaches for some of the surplus crops. But the overall picture for the economy of the country is good. Ask any banker in the agricultural states, and he will readily tell you that it means better times for his community and the area.

### Surplus Wheat

The surplus wheat problem probably will result in some new headaches. The new forecast for wheat is 1,466,000,000 bushels, the largest on record, as compared with last year's crop of 947,000,000 bushels and 30% more than the 10-year average of 1,116,000,000 bushels.

Livestock feed grain production apparently is going to pass last year's record production by 5 or 6%. It is possible that the corn crop might match the record of 3,600,000,000 bushels set in 1948.

**The demand for beef in the United States continues to rise. Farmers in Iowa, the greatest agricultural state, are increasing their beef cattle and hog production. The same situation exists in other states. There will be plenty of feed for the expansion program.**

More than 900,000 people attended the recent Minnesota State Fair at St. Paul. Dairy and livestock farmers by the thousands visited the mighty exposition. They came mostly from Minnesota and nearby upper Wisconsin. The farmers were concerned about the extent to which the government-supported programs, providing for restricted acres and high supports, have increased dairy, hog and poultry production in other states to compete in their markets for milk, meat and eggs.

### Farm Pattern Disturbed

On the other hand, the farm price support program which Congress has been approving year after year, is greatly disturbing the whole agricultural pattern in the United States. For instance, two decades ago the commercial corn area in this country included 566 counties in 12 states. Now the commercial corn area includes 900 counties in 26 states. Dairy, poultry, hog and other livestock production is increased by more corn. This means that the old corn belt counties have more and more competition.

**The cotton farmer has been taking acres out of cotton and devoting the acreage to corn and other crops. The traditional cotton belt of the Old South, due to the price supports, grabbed a bear by the tail. Some of the western states, like California and Arizona, with irrigation, have several of the leading cotton-producing counties in the Nation.**

But all in all, True D. Morse, the Under Secretary of Agriculture, sums up the overall picture in this manner: "We are in a great era of peacetime progress for agriculture and the whole economy. . . . Tremendous progress is yet ahead for farming."

Secretary Morse points out, and rightfully so, that many thousands of low income farm families have been neglected in the past few years, largely because of costly price supports. However, they are now receiving attention.

### Farm Debts Small

The great farm progress has already produced many new all-time high records. Farmers never owned so much and had a smaller proportion of debts. Farm ownership is at a record high. Gross farm income during 1958 is at a record high.

About 20,827,000 persons were living on the farms in the U. S. in April. This figure represents a decline of 4,231,000 from the estimated farm population of April 1950. The loss in farm population represents the continuation of a long time downward trend, which has steadily reduced the number of farm residents at the same time that the population as a whole has been increasing. However, practically all the decline occurred between 1950 and 1954.

**A partial tour of agricultural America shows that many farmers are "living high on the hog." Their homes are modern and freshly painted. They have more and better tractors, machinery and equipment. Their barns are painted (usually red) and have better grain storage. Their garages bear one and two automobiles, or an automobile or a farm truck. Most of them are raising some or most of their foodstuffs.**

Their children are riding to school in automobiles and school busses just like their city cousins. The farmers are reading the financial sections of newspapers like their city cousins. There remains many long working hours, particularly at planting and harvesting time, but the sun-tanned men who are raising the food and fibre in this country like the idea of being their own bosses.

Certainly the standard of living on the once drudgery-plagued farms, is the highest in history. They have more appliances, automobiles, and more conveniences than ever before. Agriculture is on the march this autumn. The farmers have only $11 in debts for every $100 in assets, compared with $19 for every $100 debts in 1940. Two out of three farms are completely mortgage-free.

### Bensen's Views

Farm exports for fiscal year 1957 and 1958 were the greatest in history. The buildup of surpluses has been reversed. Secretary of Agriculture Ezra Taft Benson says government investment in surplus farm products has dropped about one-eighth in the past 18 months.

"We can build markets abroad through tried and true selling techniques," says Mr. Benson. "Here is an example. U. S. fried chicken was a hit at the Ambassador's Fourth of July party in Bern, Switzerland. Some 250 quality U. S. frying chickens were served to 700 guests. The Ambassador was so pleased that he wants to repeat the menu annually."

*[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]*

# BUSINESS BUZZ


**"Message from a brave on the Indian Reservation to his broker—says sell at eighty-eight and a quarter!"**

## Bledsoe C. Pinkerton With J. C. Bradford

Bledsoe C. Pinkerton has become associated with J. C. Bradford & Co., 44 Wall Street, New York City, as Manager of the Corporate Department. Mr. Pinkerton was former Manager of the Corporate Bond Department for Reynolds & Co.



# Business Man's Bookshelf

**Austria's Share in the World Economy** — Creditanstalt-Bankverein 6 Schottengasse, Vienna 1, Austria—paper.

**Business Fact Book:** Westchester-Rockland District business and statistical information — New York State Department of Commerce, 112 State Street, Albany 7, N. Y.—paper.

**Communication and Human Relations**—William Oncken, Jr.—Industrial Relations Section, California Institute of Technology, Pasadena, Calif.—paper—single copies without charge (quantity prices on request).

**Do You Want More Profits for Less Money**—Booklet on public relations as a tool to catalyze sales — Contempo Agency, 551 Fifth Avenue, New York 17, N. Y.—paper—on request.

**Economic News Service**—Monthly news service on economy of Czechoslovakia — Economic News Service, Chamber of Commerce of Czechoslovakia, 13 Ulice 28, Rijna, Prague, Czechoslovakia—paper—on request.

**International Reserves and Liquidity**—International Monetary Fund, Washington, D. C.—paper.

**Manual of Accident Prevention in Construction:** Scaffolding Ladders—Associated General Contractors of America, Inc., 20th and E Streets, N. W., Washington 6, D. C.—paper—15c. (quantity prices on request).

**Moon and Stars**—History of Procter and Gamble — Procter & Gamble, Cincinnati 1, Ohio—paper—on request.

**Out of the Shadows**—The Story of Muscular Dystrophy—Elizabeth Ogg — Public Affairs Committee, 22 East 38th Street, New York 16, N. Y.—paper—25c.

**Scientific Records Management**—Arthur Barcan—Small Business Bulletin No. 5—New York State Department of Commerce, 112 State Street, Albany 7, N. Y.—paper.

**Statistical Abstract of the United States, 1958**—U. S. Department of Commerce — Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. (cloth) $3.75.

## Rodman & Renshaw to Admit W. Rothbart

CHICAGO, Ill. — Rodman & Renshaw, 209 South La Salle Street, members of the New York and Midwest Stock Exchanges, on Oct. 1 will admit William Rothbart to partnership.